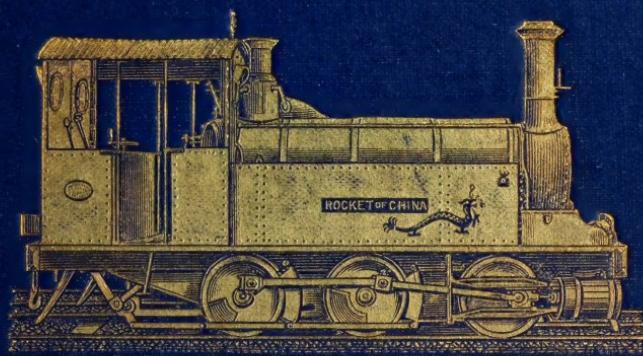


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RAILWAY ENTERPRISE IN CHINA

RAILWAY ENTERPRISE IN CHINA

AN ACCOUNT OF ITS ORIGIN
AND DEVELOPMENT

BY

PERCY HORACE KENT

Braund

WITH MAPS

94157
17/12/08

LONDON
EDWARD ARNOLD

1907

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PREFACE

THE following pages represent an attempt to record the circumstances of the origin and growth of railway enterprise in China, and to describe the present state of its development. They aim at providing a succinct and unbiassed account of an important aspect of what is known as the Far Eastern question.

The arrangement is not strictly chronological, but rather chronological subject to geographical and historical conditions. The subject, however, demands this treatment, which I venture to believe will be found both logical and convenient.

The Appendices contain copies of the more important railway contracts and other documents, which it is hoped may give the work a value for reference purposes.

A question of some difficulty has been the romanisation of the names of places. At the present time the recognised system is that of Sir Thomas Wade, and a tendency has lately manifested itself to recast the names of places the spelling of which has been long settled by custom. The soundness of this latter proceeding, however, may be doubted, and on the whole it seems desirable to accept such spellings as have been settled by usage, and in other cases to base the romanisation of Chinese characters on the system already alluded to. The spelling adopted by the Imperial Maritime Customs in their returns seems to be based on this principle ; accordingly, it has as far as possible been followed.

In regard to the maps, it should be remarked that no line is shown the construction of which has not been sanctioned by the Chinese Government, although references will be found in the text to schemes which have been more or less seriously discussed. This course has been pursued in order that the maps may accurately represent the present position ; the illustration of the somewhat nebulous schemes of the future may safely be left to future editions.

PREFACE

I should add that the drawings upon which the more important maps have been based, have passed through the hands of Mr. A. G. Cox, M.Inst.C.E., of the Imperial Railways of North China, to whom my thanks are due for assistance in connection with them.

Here too I may perhaps be permitted to remark that, though I cannot hope that error has been altogether avoided, I have been exceptionally well situated for obtaining reliable material for the formation of the present volume. As a resident in China, in addition to enjoying opportunities of observing the various lines in operation, I have been privileged to be in personal touch with the leading authorities on the subject, many of whom have favoured me with much helpful suggestion and criticism. To all such, as to other friends who have kindly assisted me, I take this opportunity of expressing my sincere thanks.

To Mr. W. W. Rockhill, United States Minister at Peking, I am indebted for permission to avail myself of the translations of the Agreement between the Chinese Government and the Russo-Chinese Bank and of the Kaifengfu-Honanfu Railway Contract appearing in his invaluable compilation of Treaties and Conventions entered into by China between 1894 and 1904.

For the loan of documents and much valuable information my thanks are also especially due to M. Rocher, late Consul-General for France in Tientsin; Mr. H. Ijuin, lately His Imperial Japanese Majesty's Consul-General in Tientsin, and now of the Japanese Embassy in London; Mr. Charles Denby, United States Consul-General in Shanghai; Dr. Morrison; Mr. J. O. P. Bland, now representative of the British and Chinese Corporation in Peking; and Mr. George Jamieson, C.M.G., lately Agent-General of the Pekin Syndicate Limited, and formerly H.B.M. Consul-General in Shanghai. Mr. C. W. Kinder, C.M.G., Engineer-in-chief of the Imperial Railways of North China, also assisted me with useful general information, but unfortunately his retiring disposition rendered him uncommunicative in regard to the great part he has himself played in the railway development of the country.

P. H. K.

August 28th, 1907.

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RAILWAY ENTERPRISE IN CHINA

CHAPTER I

SIR MACDONALD STEPHENSON

THE history of railway enterprise in China covers a period of rather more than forty years. It reflects at once the main characteristics of the Chinese official classes, and the tendency of the Far Eastern policy of foreign powers.

Broadly speaking, the history falls into three stages. Of these the first is that of foreign attempts to persuade the Chinese to allow the introduction of railways. The next development is a progressive movement emanating from the Chinese themselves. Lastly comes the era of concessions in which the dominant feature is foreign control.

Chronologically these several stages may be considered as roughly corresponding to the periods between 1863 and 1878, 1879 and the outbreak of the Chino-Japanese War in 1894, and thereafter to the present time.

Of the future it is wisest not to prophesy. But it may at least be remarked that the tendency at the moment is towards the elimination of foreign control.

In the present chapter and the chapter on the Woosung Road¹ we shall see what measure of success attended the efforts of foreigners to urge upon the Chinese the adoption of modern means of communication before they were prepared to accept them. Subsequently the history of the later phases will be developed.

¹ Chapter II.

The first attempt to introduce railways into China was made on the 20th of July in the year 1863, when a petition was presented to "His Excellency Li,¹ Imperial Commissioner and Governor of the Province of Keang Soo for the sole Concession of the Right to Establish a line of Railway between Shanghai and Soochow." The signatories of the petition were twenty-seven foreign firms, mostly British, "all being merchants resident at the port of Shanghai in the Empire of China."²

Soochow is situated inland not far from the eastern shore of the Taihu or "Great Lake," and lies almost directly west of Shanghai, from which it is distant some eighty miles. At that time Soochow was occupied by the Taipings, but the rebellion was drawing to its close, and the "petitioners being impressed with the idea of the early probability of the recapture of the city from the rebels by the forces of His Imperial Majesty, and of the restoration of peace in the surrounding country, considered that the present time was a fit occasion for applying for the concession of the right to establish a line of railway between Soochow and Shanghai, of a construction similar to those in existence in foreign countries, to be worked by a company then in course of formation, to be styled the 'Shanghai and Soochow Railway Company.'"³

Unfortunately in this expression of view Li Hung Chang, who at a later period of his career took an active part in fostering railway enterprise, was unable to concur. Indeed, "although backed by the advocacy of the leading members of the consular body, the scheme was received with decided disapprobation. The Governor distinctly informed the Consuls that railways would only be beneficial to China when undertaken by the Chinese themselves, and conducted under their own management; that grave objections existed to the employment of numerous foreigners in the interior; and that the people would evince great opposition to being deprived of their land for that purpose. He also distinctly refused to be the medium of conveying any proposal of the kind to the Supreme Government at Peking; and even added that he should consider it his duty to oppose the attempt on the part of foreigners to gain such an undue degree of influence in the country as the concession sought for would confer upon them."⁴

The blow was crushing and caused the scheme to be abandoned,

¹ Li Hung Chang.

² Extract from petition.

³ *Ibid.*

⁴ Letter from Sir Harry Parkes to Sir MacDonald Stephenson, 8th March 1864.

its authors realising that their proposals were at least somewhat premature.

At this point Sir MacDonald Stephenson, a distinguished engineer, who just twenty years previously had projected the first railway for India and had been subsequently prominently connected with the development of the Indian system, appeared upon the scene. In the spring of 1863 his attention had been drawn to China by a retired partner of the house of Jardine, Matheson & Company, and, impressed by the possibilities of the rapid development in all directions that would follow the introduction of railways, he determined in the following autumn to visit the country. At the same time he formed the ambition to save China from what he believed to be the evils of haphazard development. His view was that "a comprehensive system decided on at the outset, and all lines made in conformity with it, would avert the evils of the English want of such a system, where in many cases double capital has been laid out to perform work which one expenditure could have adequately provided for, seriously prejudicing the prospects of the shareholders on both lines, and depriving the public of the full economical advantage which under a sound organised system would have been obtained."¹

This conviction will be found impressed upon and indeed to have been the main feature of Sir MacDonald's proposals.

On his arrival in the Far East he embarked hopefully on his self-imposed task. Doubtless, however, he found the difficulties in his path very much greater on closer acquaintance than he had supposed. The fate of the Shanghai petitioners had given a sufficiently clear indication of the Chinese official view, and notwithstanding the optimistic tone of the report which he subsequently issued he can scarcely have failed to realise that the time had not arrived for the introduction of a system entailing such far-reaching changes. As yet the Chinese were not prepared for the reception of foreign ideas. They had hardly begun to modify the old contemptuous estimate in which the foreigner and all things foreign had from time immemorial been held, while the prejudice and hostility which in time past had characterised the Chinese official relations with foreigners was as deep-seated and bitter as in the earliest days of foreign intercourse.

The attitude of the Chinese is intelligible. Scarcely twenty

¹ *Railways in China*, by Sir MacDonald Stephenson (1864), p. 21.

years had elapsed since foreigners had obtained anything like a secure foothold in China. Prior to the Treaty of Nanking their business dealings had been confined to Canton, where they had resided on sufferance under a regime of constant humiliation. Only on the conclusion of that Treaty in 1842 did they attain a status and cease to occupy a position that might, perhaps, be not inaptly compared to that of the *peregrini* of ancient Rome.

Unfortunately, the Chinese failed to appreciate, or, as seems nearer the truth, determined to ignore the changed conditions, and consequently a prolonged struggle ensued to obtain a reasonably practical recognition of the change that had been wrought.

Things were brought to a head in what is known as the "Arrow War," which resulted in 1858 in the Treaty of Tientsin and a general extension of the rights of foreigners, these events again being followed two years later by Lord Elgin's return to China and the invasion of Peking by an armed force in order to compel observance of the terms of the new Treaty.

Thus in less than twenty years there had been three wars between Great Britain and China; or rather, Great Britain had been engaged in three wars with China, in two of which, those of 1858 and 1860, a measure of assistance had been rendered to the former power by France. On each occasion the troops of China had been defeated. But the humiliation did not end there. Despite years of successful resistance on the part of the Chinese, the foreign trader had at last gained a permanent footing in the country.

It naturally resulted that in the years immediately following these events the hostile feeling against foreigners became intensified. It would be matter of surprise had it been otherwise. Treaties of themselves do not necessarily either engender friendly feelings or guarantee their existence. At anyrate, as far as the official classes were concerned, the attitude of the Chinese in the early sixties was bitterly anti-foreign. They were pledged to the maintenance of what Mr. Alexander Michie calls "the settled policy of keeping foreigners at arms' length at all costs," and there was no hope of any encouragement being forthcoming for enterprises in which foreigners could be in any way interested. The country, in fact, had not opened up in the way that the more sanguine had hoped, hence the unpromising state of affairs when Sir MacDonald Stephenson arrived in the field.

His first act was to invite the views of foreigners of all classes, merchants, missionaries, and officials, on the subject of the desirability of the introduction of railways. There was, of course, no room for difference of opinion on this point. But the question rather was whether the moment was opportune, and some of those applied to for an expression of view qualified their opinion with hints at difficulties, or doubts as to whether the time had come for such a move. The majority, however, having expressed their approval and dwelt with enthusiasm on the commercial aspects of the matter, refrained from comment in regard to the practicability of the proposal, and quietly awaited further developments.

The opinion of the Chinese was next sought, and for this purpose a large meeting of merchants was held in Canton.

Chinese merchants have always been characterised by a strong utilitarian sense; they have only to be convinced of individual benefit to adopt the means that conduce to so desirable an end. When, therefore, it was shown for the sake of illustration that the construction of a railway from Canton into the interior would inevitably cause a great increase in the declining trade of the place, they were unanimous in their desire for its immediate construction.

Sir MacDonald seems to have derived much encouragement from the enthusiasm of the Cantonese. What he apparently did not realise was that this enthusiastic class occupied the lowest grade in the Chinese polity, and at that time enjoyed but little influence.¹

The next step was to formulate a scheme, and accordingly a comprehensive system, that should not only supply the needs of China but bring her into rail communication with the outside world, was planned. Taking Hankow, the great emporium of Central China on the Yangtze River, as a starting-point, Sir MacDonald proposed lines eastward to Shanghai and westward through the provinces of Szechuen and Yunnan to India. From Chinkiang, which was to be served by this great Yangtze Valley trunk, a line to Peking by way of Tientsin was projected, while a line was to run from Hankow southward to Canton. Thus the

¹ The Chinese polity is divided into four classes in the following order—
(1) Literati, or scholars, the class from which officials are drawn; (2) agriculturists;
(3) artisans; and (4) traders.

four chief Treaty Ports of the Empire, which are also the most important trade centres, were to be put in rail communication.

In addition to these great trunk lines it was proposed to connect Ningpo with Shanghai, and to carry a line from Foochow inland to tap the trade of the rich province of Fuhkien.

A connection was also proposed between Canton and the projected line to India, which latter was shown in the map illustrating the scheme as taking a great southerly bend as it approached the western boundary of China.

It will be observed that the routes of two of the chief lines approximated roughly to the routes to be taken by the projected Canton-Hankow and Tientsin-Nanking railways. But the Shanghai-Nanking railway, now under construction, is the only section of the Yangtze Valley system of the future which will coincide with that projected by Sir MacDonald Stephenson. The latter's proposals were for a line closely following the river, but the idea of the railways now projected in this region is to develop the hinterland and facilitate communication with the river; to prove subsidiary to, rather than to enter into competition with, the great waterway. Another point that may be noted is that the advantages of a line putting Hankow and the capital in direct communication, following the route taken by the present Ching-Han line, do not appear to have suggested themselves to Sir MacDonald's mind. Perhaps he thought, as some still appear to think, that the railway between Tientsin and the Yangtze would prove too serious a competitor of such a line.

So much, however, for the main arteries and the general scheme of the system as it was to be gradually developed. Sir MacDonald now proposed that a start be made on certain short sections by way of experiment. In view of the desirability of impressing the Imperial Government with the advantages of railways, he thought operations might be commenced with advantage under the eyes of the Court itself on the Peking-Tientsin section of the Peking-Chinkiang line. More valuable lines commercially would be those between Shanghai and Soochow, or between Canton and Fatshan. It might therefore even be desirable, in his opinion, to start the construction of two or three lines simultaneously.

In this shape the scheme was laid before the Imperial Government, and the proposal put forward that the experimental lines should be undertaken as Government work. Every care was

taken to remove difficulties, to anticipate objections, and to meet the prejudices of the Chinese Imperial authorities. Special stress was laid on the fact that China was a land of vast resources ; that materials of most kinds and labour of all kinds were to be had in the country. Chinese railways could, in fact, be built by the Chinese themselves.

The result, however, was preordained. Sir MacDonald Stephenson, in virtue of his credentials, and possibly of his high professional standing, obtained for himself a respectful hearing ; but his memoranda shared a different fate, finding their way into pigeon-holes from which they have never been disinterred. The Government was impervious to argument, the fact being that, apart from all questions of prejudice, of which our own early railway experience should make English critics tolerant, the country as a whole was not conscious of the need of improved communication, and the officials were determined that railways, if introduced at all, should be introduced by the Chinese themselves when the need arose.

The last word had been spoken. With it ended a scheme which has often been criticised and more often scoffed at as the dream of a visionary. Yet such criticism seems hardly justified. Its author did not aim, as has been generally represented, at the immediate creation of a vast system. He urged experiments on an unambitious scale, and further development on proper lines as results might justify. As has been already indicated, his object was to prevent the repetition in China of the mistakes that had been made in other countries by haphazard development. And except that at times the routes of some of the lines were chosen without much regard to rivers and mountain ranges, due to lack of knowledge of the configuration of the country, and that it was proposed to put Peking in communication with India, an idea calculated to rouse the suspicions of the Chinese at the outset, the scheme, it must be admitted, was fundamentally sound.

The mistake Sir MacDonald made was, of course, in assuming the existence in China of the dangers he set himself to obviate. He almost seemed to overlook the fact that he was not dealing with a new country, but on the contrary with a country densely populated and in some respects highly developed : a country of great distances in which trade routes and trade centres were, and for centuries had been, very clearly determined. It required no

great railway expert to locate trunk lines. Their routes in most cases were obvious to the most superficial observer of the trade and geographical conditions of the country.

He also mistook the Chinese character and the temper of the official classes. The information at his disposal in England was not sufficient to enable him to form a just estimate of the circumstances of the time. His scheme, like that of the Shanghai merchants, was premature. On the other hand, it must be borne in mind that there is much to be said for his contention in reply to critics, "that if a measure is sound and assuredly beneficial, as in this case it is admitted to be on all hands, it can never be premature to take the initiative step, advancing only from time to time as the opportunity may be afforded."¹

¹ *Railways in China*, by Sir MacDonald Stephenson (1864), p. 13.

CHAPTER II

THE WOOSUNG ROAD

THE idea of a railway system for China was not allowed to die with the departure of Sir MacDonald Stephenson. On the contrary, it was quietly developed by some of the leading men in Shanghai, who determined by way of experiment to connect the port with Woosung¹ by a line of rail.

The main end in view was to provide an object-lesson for the Chinese, and by accustoming their minds to the new idea to pave the way for future development.

Shanghai is situated on the Huangpu River, while Woosung lies at the point where that river empties itself into the estuary of the Yangtze. The latter place made a convenient objective of the proposed railway on account of its geographical position, in particular, as being on the same side of the river as Shanghai and distant only twelve miles, a suitable length for a pioneer line. It also commended itself on other grounds. Besides affording the required object-lesson, such a line would, it was thought, prove a considerable convenience to the Shanghai community, as putting them in rapid land communication with the Woosung anchorage.

The scheme having taken definite shape, a company was formed in 1865, Mr. Henry Robinson being appointed engineer. The route proposed presented no engineering difficulties, but Mr. Robinson suggested carrying the line at certain points on piles and girders with a view to meeting the prejudices of the people.

In China, with the exception of cemeteries connected with charitable institutions, and in the vicinity of some of the larger cities, there are no public burial grounds. Generally speaking, it is a country of village communities and small landholders; every family has a holding of greater or less extent, which in most cases

¹ Woosung now is also a Treaty Port, having been opened in 1898.

contains the family graveyard. The result is that in many parts of the country it is impossible to follow a straight line for any distance in any given direction without coming upon an enclosure, usually surrounded by a low earth rampart and small outer ditch, containing a number of tumuli, the prevailing form of grave throughout the land. When it is added that the Chinese are ancestor worshippers, it will be readily seen what play can be made against an unfortunate railway company which has to overcome religious scruples, genuine and otherwise, before it can deal with the commercial aspects of the case.

The engineer's idea in carrying the line on piles over any graveyards on the proposed route was to obviate the necessity of disturbing them, and thus if possible avoid conflict with the owners. But the proposal came to nothing. The prejudice against railways was still acute, and the scheme for the time being perforce fell through.

It was, however, soon revived in another form. Messrs. Jardine, Matheson & Company conceived the idea of going to work quietly and buying up land between Shanghai and Woosung with the ostensible object of making a road, and the ultimate intention, once the land was bought and put into shape, of laying rails. The proposed road being outside the foreign settlement, the consent of the Chinese authorities was obtained for its construction, but the nature of the scheme was not disclosed.

The preliminary steps having been taken, a company, known as the Woosung Road Company, was formed, and the work of buying up land proceeded with. The process, however, was slow, and as events proved costly, for when all the land necessary for the accomplishment of the object in view had been acquired it was found that the balance of capital in hand amounted only to £20,000, while the estimates for the line constructed on the English model amounted to about £100,000. As it seemed inadvisable at the moment to embark on the further expenditure of so large a sum, it was decided to suspend operations temporarily.

The next move was made in 1875, when Mr. Macandrew and Mr. F. B. Johnson, two of the directors of the company, while on a visit to England, met Mr. Rapier, of Messrs. Ransomes & Rapier, who suggested the construction of a line on a much smaller scale than that originally estimated for, and introduced to their notice a small locomotive which he thought would prove suitable.

The weight of this engine in working order was only 22 cwt., but it was strong enough to take an appreciable load, and able to run fifteen to twenty miles an hour.

It was consequently subjected to a number of tests, and, having been altered in a few particulars, the company decided to adopt the suggestion, and Mr. Rapier was asked to prepare estimates. This was done on the basis of a 30-inch gauge, and rails of 26 pound weight per yard ; but even on these modest lines it was found that without a sacrifice of efficiency the work could not be carried out for a less sum than £28,000,—that is to say £8000 in excess of the capital in hand. Further delay was threatened when a solution of the difficulty was found in a proposal of Mr. John Dixon, who agreed to contract for the line in accordance with Mr. Rapier's estimate for £20,000 in cash and £8000 in shares.

This offer was accepted, and arrangements pushed on with all celerity. The contract was signed in August 1875, and the services of Mr. Gabriel James Morrison were secured as engineer; Mr. G. B. Bruce becoming honorary engineer in England.

On the 1st of October Mr. Morrison left England for Shanghai by way of the United States. Towards the end of the month the S.S. *Glenroy*, which had been chartered for the purpose, sailed from London direct for Shanghai, having on board the locomotive, which had been appropriately christened the "Pioneer," a considerable amount of material for the permanent way, and Mr. Morrison's assistants. Mr. Rapier pays the latter a deserved tribute when he says that "in setting out on such an expedition these men were quite aware of the personal risks they might have to encounter : on the one hand, from probable interference of the authorities, and on the other, from possible misunderstandings with large masses of people ; to say nothing of the dangers of the climate to persons working long hours, under circumstances involving exposure to weather of all kinds."¹

The S.S. *Glenroy* arrived in Shanghai on the 20th of December, Mr. Morrison arriving nearly three weeks later on the 8th of January 1876.

The work was commenced immediately ; a considerable amount of time being saved by the fact that, as the land for the road had been acquired, a substantial embankment, about eight feet high, had been constructed and a considerable number of small water-

¹ *The First Railway in China* (1878), by Richard C. Rapier, p. 5.

courses culverted. Some fifteen small streams remained to be bridged, and when this was done there was a through road ready to receive the rails.

The bridge work was taken in hand without delay, and a few days later, on the 20th of January, the first rail was laid by the wife of the engineer. By the 14th of February about three-quarters of a mile had been laid, and the "Pioneer" performed the first railway run ever made in China.

Somewhat contrary to expectation, no opposition was manifested by the Chinese in the district ; on the contrary, a continually increasing and friendly interest was displayed as the work proceeded. Unfortunately, however, this popular interest ill accorded with the official view, and, causing some alarm in official circles, precipitated interference. The first check was received on the 23rd of February at the hands of the Shanghai Taotai, who pointed out that the construction of the line was not authorised, and pressed for a discontinuance of the work pending instructions from Peking. The matter was compromised by the company giving an undertaking not to run the "Pioneer" again for a month, which would give the Taotai time to communicate with the capital.

Meanwhile the laying of the rails proceeded apace, and in due course, the month having expired and no further protest being forthcoming, the engine resumed work in the latter part of March. The same friendly interest continued to be manifested by the people, and in one of the May issues of *The Times* a letter appeared from their Shanghai correspondent graphically describing the scene.

"Several miles of road," he wrote, "have been completely ballasted, and the whole country side is alive with interest. Literally, thousands of people from all the neighbouring towns and villages crowd down every day to watch proceedings and criticise every item, from the little engine down to the pebbles of the ballast. All are perfectly good-humoured, and evidently intent on a pleasant day's outing. Old men and children, old women and maidens, literati, artisans, and peasants—every class of society is represented."

The permanent engines, of which there were two, and the rolling stock now commenced to arrive. "Though very small according to our ideas (being only nine tons in working order), they were large indeed compared with the "Pioneer," and were esteemed by the Chinese accordingly. On the 30th of May the

"Celestial Empire" arrived, and in a few days it was put together, and it made its first trip on the 12th of June to the rail-head, which had reached Kangwan. This trip it performed at a speed of twenty-five miles an hour—rather a high speed for a six-wheeled coupled engine, with wheels of only twenty-seven inches diameter. The carriages arrived about the same time. They were about half the length, two-thirds of the width, and three-fourths of the height of railway carriages."¹

By this time the permanent way had been completed for a distance of five miles from Shanghai; the official opening of the line was therefore fixed for the 30th of June, on which day the return journey to Kangwan was successfully performed at the rate of about fifteen miles an hour.

On the 1st of July, the day following the opening, all Chinese were invited to travel free on the line, and regular traffic commenced on Monday, the 3rd of July.

It soon became evident that if the company were allowed to work the line without interference it would prove a complete success. From the outset six return journeys to Kangwan were made daily with such crowded trains that it became necessary to order a second set of carriages, and, though fares and rates were on a modest scale, good financial results seemed assured.

The construction of the line beyond Kangwan was now pushed on, and nothing occurred to disturb the prospect until the 3rd of August, when a Chinese was run over and killed. The train was proceeding at ordinary speed between stations when the unfortunate man was observed walking between the rails towards the approaching train. The whistle was blown, and he left the track until within a few yards of the train, when he suddenly threw himself in front of the engine.

Enquiry into the circumstances of the deceased elicited nothing. As far as the facts transpired, he was without either means, friends, or relations. It was suggested at the time, and the suggestion has been more than once repeated since, that he had been hired by the Chinese authorities to do away with himself in this way in order to rouse popular feeling against the enterprise, and the Shanghai Taotai's scarcely veiled hostility, coupled with the well-known fact that the Chinese are extremely susceptible to the influence of the Dollar even in matters of life and death, is

¹ *The First Railway in China* (1878), by Richard C. Rapier, p. 9.

adduced in support of the contention. On the other hand, it has been argued that inasmuch as no claim was preferred against the company by the deceased's relations, he could not have been hired for the occasion, as if such had been the case the matter would have been completed by preferring a claim. But the argument cannot be said to be very cogent either way, and in the absence of satisfactory evidence it would be unwise to hazard a conclusion.

Be the explanation, however, what it may, the fact remains that from this time the fate of the enterprise was sealed. Riots were threatened, and to prevent all possibility of additional complications, on the instructions of H.M. Minister, Sir Thomas Wade, the line was temporarily closed. It was never reopened as a British-owned road.

On the 13th of September the Chefoo Convention was signed, whereupon negotiations on the subject of the railway commenced. The company contended that they had bought the land, and claimed the right within reason to do what they liked with their own. It was also argued that permission had been granted to construct a road; that this had been done at great cost to the lasting benefit of the surrounding country, and in the absence of railway regulations at the time the permission was obtained the Chinese authorities could not now be heard to say that the road, as constructed, was a different species of road from that contemplated by them.

The Chinese authorities, however, bent on getting rid of the line at all costs, refused to admit the argument, which was, at best, somewhat weak, and it was eventually agreed that the Government should take it over at cost price. Payment was to be made in three equal half-yearly instalments, the company till payment of the last instalment being allowed to hold the line as security, and in the meantime to work it for the benefit of the shareholders. Fêng Taotai gave effect to the settlement by the issue on the 25th of November of a proclamation setting forth in principle the terms which had been arranged.

Matters being thus settled, the line was opened for a second time on the 1st of December 1876, this time as far as Woosung, the whole length of the permanent way being now completed.

With the removal of opposition things went on smoothly until the 20th of October 1877, when the last instalment of the

purchase-money was paid and the line handed over to the Chinese. Up to the last the hope was entertained that the authorities would reconsider the position and discuss arrangements that would result in keeping the railway in operation permanently under Chinese control. This hope, however, was destined to disappointment, and though the Viceroy was memorialised by more than a hundred leading Chinese individuals and firms, the fiat went forth that the line should be closed.

All traffic was accordingly stopped, and the line shortly afterwards demolished, the rails being torn up and together with the engines and rolling stock conveyed to the island of Formosa, where most of the materials were simply dumped on the beach and there allowed to remain until either stolen or rendered useless by continued neglect. The closing act in the drama was the erection on the site of the Shanghai station of a temple to the Queen of Heaven.

It was a disappointing ending to a scheme that had promised good results. Though debarred from the carriage of goods, the passenger receipts had produced a small dividend, and the support of the people had undoubtedly been gained.

On the other hand, however much one may feel disposed to sympathise with the aims of the promoters and to deprecate the action of the Chinese, the aspect of the matter from the Chinese standpoint must not be lost sight of; nor must it be forgotten that the means employed were not altogether beyond criticism. The officials had at the outset been imposed upon, and, in view of the previous attempts to introduce railways, they could scarcely have accepted the position without some loss of what the Chinese call "face." Whatever other strictures may be passed, their action at least had the merit of apparent consistency, and becomes intelligible when it is remembered that they were determined to impress the foreigner with the conviction that they would not be hurried; that as Li Hung Chang had put it to the petitioners of 1863, railways would only be introduced into China by the Chinese themselves as and when they felt the need of them.

In this determination they may be said to have succeeded; at anyrate, some years now elapsed before foreigners again became actively interested in the railway question.

CHAPTER III

THE FORMOSAN GOVERNMENT RAILWAY

ALTHOUGH Formosa no longer forms part of the Empire of China, having been ceded to Japan on the conclusion of the war in 1895, the present record would be incomplete without some account of its railway development anterior to the conclusion of the Japanese Treaty.

Reference has already been made to the island as the destination of the remains of the Woosung Road. It is said to have been so selected by the officials on the mainland on account of the well-known views of Ting, the Governor of the neighbouring province of Fuhkien, in which Formosa was at that time included. This official had long been anxious to construct a railway there to supply the marked deficiency of roads, and he had gone so far as to memorialise the Throne to that effect. Nothing, however, had come of his efforts, the Imperial Government being opposed to progress of all kinds, and refusing to sanction his proposals.

At the same time, it must be noted that to Ting belongs the honour of having been the first Chinese official to advocate the introduction of railways, and though his efforts resulted in failure they were doubtless not without their effect on his successor, Liu Ming Chuan, who availed himself of the opportunity that presented itself on the conclusion of the Franco-Chinese War, in 1885.

Up to that time the capital of the island had been Taiwanfu, known since 1887 as Tainanfu, a seaport town on the west coast. But in the course of the war the northern port of Kelung had been bombarded by the French, and the Government, fearing a similar attack at some future time on the capital, instructed the Governor to remove his seat to some inland point removed from attack by sea.

In these instructions Liu Ming Chuan saw his opportunity. While admitting the wisdom of his superiors in Peking, he ven-

tured to point out that there were no roads in Formosa and that it was essential for his capital to be in reasonably good communication with the sea. As a solution of the difficulty he suggested the construction of a railway, a suggestion to which the Throne ultimately acceded.

Having thus secured the recognition of the principle, nothing now remained but to apply it. Consequently a site was selected for the new capital near Changwha or Shoku, a spot about ten miles from the west coast, and roughly midway between the northern and southern points of the island. As the city had yet to be built, Taipeh in the north, near Tuatutia, was selected for temporary use as a capital.

This town was certainly the most convenient for the seat of Government, but it was desirable to select the neighbourhood of Changwha as the site of the new capital to give a *raison d'être* for the extension of the railway down the west coast.

The larger portion of the island is a mountainous country inhabited by aborigines, and chiefly remarkable for its famous camphor forests and great beauty of scenery. But along the west coast stretch highly cultivated plains sometimes nearly forty miles in breadth, and it is in this region that the principal towns with the exception of Tuatutia, Taipeh, and Kelung are found. Unfortunately, however, Formosa contains no good harbour, and Kelung in the north-east is the only port in the island really accessible to ocean-going steamers. Liu Ming Chuan's idea was to improve the natural advantages of the last-named place, in the neighbourhood of which coal is found and collieries had at that time recently been opened, by the construction of good wharves, and to build a line thence in a westerly direction to Taipeh and Tuatutia, continuing it from that point southward through Changwha, the proposed site of the new capital, to the late capital, the coast town, henceforth to be known as Tainanfu. The railway would thus serve the settled districts, and increase the general prosperity by providing rapid and cheap transport to the northern port.

In pursuance of this scheme Tuatutia, which is situated some five miles to the north-west of Taipeh, was selected as the railway headquarters, and construction commenced at that point in the direction of Kelung in March 1887. A few months later work was commenced in a southerly direction towards Tainanfu.

The gauge selected was 3 feet 6 inches, rails being used weighing 36 pounds to the yard.

From the outset the work was carried on under the greatest difficulties. It was of course necessary to employ foreign engineers, and one of Liu Ming Chuan's hardest tasks was to reconcile this with the anti-foreign feeling prevalent at the time. To counteract the latter the Governor determined to superintend the survey of the first few miles himself, and accordingly accompanied the foreign engineer over the first four miles of the proposed route. Another difficulty arose from the fact that soldiers were employed on the necessary earthworks, but being only answerable to the officers in command they persistently ignored the instructions of the engineers, whose complaints had little effect. Again in the unsatisfactory state of public opinion every consideration had to be shown to local prejudices, with the result that deviations were made to avoid graveyards, which produced probably the most remarkable alignment ever known.

Notwithstanding these and other discouraging circumstances, which it would be tedious and unprofitable to detail, the work made slow progress, eleven miles of railway from Tuatutia to Saitingka being opened for traffic in the spring of 1889. At this point, however, difficulty presented itself in the shape of a low spur rising abruptly out of the valley at Katongka, half a mile farther on. As an example of Chinese methods it is instructive to observe how it was negotiated. Mr. Matheson, then consulting engineer to the railway, thus describes the proceedings :

"It could have been tunnelled easily, but the Governor would not allow that, and, in order to pass through the crest of the ridge with a cutting about 60 feet deep, ordered that the line should be carried up to it by embankments on each side of the ridge. This cutting was begun early in 1888. The greater part of the excavation consisted of clay, which softened under rain, and slipped, cracked, or flowed during heavy downfalls. Moreover, the General in command failed to realise that so deep a cutting would require considerable width for its sloping sides, and much of the spoil was thrown on the ground which had afterwards to be itself cut away. And so it resulted that, as fast as spoil was taken out, more stuff slipped into the cutting, whilst the upper part became a quagmire.

"In May 1889 the engineer recommended an alternative route round the spur, and, on that being rejected, suggested plans for drawing off the water, or the construction of a covered way which should be lined and covered with stone and brick, step by step, as it was made; but his advice was not acted upon. At length there was so much sickness among the soldiers

that native labourers had to be employed, and finally, in November 1889, the cutting had to be abandoned, and the diversion previously recommended round, instead of through, the spur was adopted ; this increased the length of the line by about half a mile, and was completed early in 1890."

The line was then continued to Kelung, being completed and opened for traffic in the autumn of 1891. On this section, about four miles outside Kelung, the Chinese had gained their first experience of tunnel-making through a ridge which divided the Kelung River valley from the sea. It had been realised that this work would occupy a considerable amount of time, and it was therefore put in hand in 1887, almost as soon as the work of construction commenced at the Tuatutia end. It was carried out by the Chinese themselves with the same disregard of common sense, to say nothing of engineering principles, which characterised the Katongka cutting, while the carelessness of the tunnel-makers was quite unique. To instance an example, the General in command of the soldier-navvies fixed the level of the heading at one end fourteen feet higher than at the other. Again, in order to keep the expense at a minimum, the Chinese refused to adopt the most ordinary safeguards. No drainage measures were taken, nor were the sides of the tunnel timbered or props used in accordance with the instructions of the engineers. The result was a series of landslips, while, on at least one occasion, the roof fell in.

Meanwhile some twenty miles had been constructed southward, including a bridge over the Tamsui River at Tuatutia. The river at this point is about a quarter of a mile wide, except in the rainy season, when it attains a much greater width. The engineers advised an iron bridge, but the same mistaken ideas of economy continued to prevail, and the authorities gave a contract to a Cantonese for a wooden bridge, which was accordingly constructed in 1889. When completed the bridge was 1498 feet in length, contained forty-seven spans, one of which, at the north end, was an iron swinging span centred on a masonry pier, which allowed a passage for junks and large river boats. This was worked by hand, and, when opened, give a channel of 23 feet.

It may be noted in passing that on this occasion the ideas of economy prevalent among the Chinese served them well. For the Tamsui Bridge lasted out their time and came to no harm

¹ *Railways in China*, by H. C. Matheson, A.M.Inst.C.E., Minutes of Proceedings of the Institution of Civil Engineers, vol. cix. p. 325.

until a year or so after the Japanese occupation, when it was washed away by a freshet.

This twenty miles of line south of Tuatutia was opened to traffic simultaneously with the completed line to Kelung. And two years later, in 1893, a twenty miles extension to Hsinchu was completed, and a regular through train service instituted from that point to the northern port. There was now in existence a railway of sixty miles in length characterised throughout, as was only to be expected, by very inferior workmanship and an alignment in places that rendered high speeds impossible. It nevertheless marked a distinct advance.

Unfortunately at this stage the central Government in Peking interposed a check. Apparently they feared lest further developments should tempt the cupidity of some foreign power in want of a coaling station in Far Eastern waters. The work of improving Kelung harbour was consequently dropped, and though the route of the railway had been surveyed through to the proposed southern terminus, the line was not continued beyond the city of Hsinchu, the point already reached.

The energetic governor, Liu Ming Chuan, had been compelled by ill-health to resign his position in 1891, and his successor, the inheritor of his progressive schemes, was content to acquiesce without protest in the Imperial views.

If the policy of the Government was to kill Kelung, it was entirely successful. To this Mr. Davidson, Consul for the United States in Formosa, bears eloquent witness :

" Nothing more was done at Kelung, so that instead of its becoming the great shipping port which had been anticipated, even the old trade dropped off year by year. The railway became a mere passenger line, the service not being sufficiently reliable to be entrusted with freight. The Government collieries were now closed, and frequently months elapsed without the appearance of a single foreign vessel. A big white building of the usual style of foreign architecture was the ghostly remnant of the last foreign firm long since gone. As time went on matters grew worse and worse, until, in 1904, the Custom House officers, the only foreigners in Kelung, wearily spent their days in enforced idleness watching for the smoke of a foreign steamer. Kelung was dead. It might have dropped off the island completely without causing the least inconvenience to anyone save the pitifully poverty-stricken natives who lived in their squalid huts in the tumbledown village."¹

¹ *The Island of Formosa*, by J. W. Davidson, p. 251.

The railway also deteriorated rapidly, the control being left largely in the hands of subordinates with most disastrous results. By the time the Japanese came the rolling stock had, for the most part, been rendered practically useless by continued neglect, and the permanent way was in a dangerous state of disrepair.

The Japanese, however, were not long in straightening matters out, and since their occupation the line already constructed has been improved and continued in a southerly direction to Taiwanfu. A branch line from Taipeh to Tamsui has also been constructed. More recently, in 1901, work was commenced at Taokow, a coast town a few miles beyond the southern terminal projected by Liu Ming Chuan, and since then the line has been under construction northward to join the northern section at the capital in the centre of the island. At the time of writing the whole line is completed, with the exception of a few miles to the south of Taiwanfu, which has involved a certain amount of tunnelling and bridging work. It is estimated, however, that trains will be run through during the present year. Meanwhile the railheads have been connected as far as possible by a temporary line. The total length of railway will be about 260 miles.

CHAPTER IV

THE KAIPIING TRAMWAY

WHILE the rails were being torn up along the Woosung Road, and every conceivable obstacle placed by the Central Government in Peking in the way of Ting Futai's enlightened Formosan scheme, a forward movement was quietly taking place in the north, at Tongshan, less than a hundred miles distant in a south-easterly direction from the capital itself. The pioneers in this case were Tong King Sing and Li Hung Chang, Viceroy of Chihli.

As Governor of Kiangsu, it will be remembered, Li Hung Chang had administered a rebuff to the Shanghai petitioners in 1863. But his objections on that occasion had been founded in the main on the desire to avoid the extension of foreign influence ; in less degree, perhaps, they might be ascribed to a lack of appreciation of the advantages that would accrue from the development of a railway system. In later years, when he understood the problem better, railway enterprise always commanded his powerful support.

At this time, that is to say in 1878, Li had been Viceroy of Chihli for nearly eight years. From Kiangsu he had gone to Hukuang, "the land of the broad lakes," comprising the Yangtze provinces of Hunan and Hupeh in Central China. Transferred thence, after a short term, to the great northern Vice-royalty, he rapidly established himself as the foremost man in China, a position he maintained, at least in foreign estimation, for close on thirty years.

The name of Tong King Sing, on the other hand, has probably not penetrated far beyond China. Notwithstanding the fact that he visited England in 1882 in connection with mining matters, but little is generally known of him, and full justice to his achievements still remains to be done. He was certainly a remarkable man. By birth a Cantonese, bred in the fervid atmosphere

of anti-foreign Canton, he was the product of what from the Western standpoint was a particularly narrow and unprogressive age ; yet he himself was a man of progressive spirit and large mind. Though a poor business man, in the sense that he possessed no great aptitude for detail, he was nevertheless an honest administrator ; and combined with his other attributes was a courageous tenacity of purpose and a fine spirit of patriotism.

During the period now under consideration, Tong King Sing occupied the position of Director General of the China Merchants Steam Navigation Company, in the formation of which a few years previously he had played a prominent part. The company, which was a joint-stock enterprise, the shares being held exclusively by Chinese merchants, had since its formation added largely to its fleet. Its demand for coal had therefore become considerable. But at this time Japanese coal was practically the only coal in the Far-Eastern market. China herself, though rich in the mineral, produced none for other than quite local needs, such mines as were opened being mostly in the interior and worked by Chinese methods.

Such a state of affairs was very distasteful to the mind of Tong King Sing, who was anxious to see the progressive move made in the direction of steam navigation followed by a complementary development of the mineral resources of his country. He therefore proposed that collieries should be opened in the Kaiping district of Chihli, which was near the sea, and known to contain valuable coal deposits. Li Hung Chang gave his support to the scheme, and very shortly, through the exertions of Mr. Tong and his friends, assisted by the Viceroy's influence, the Chinese Engineering and Mining Company was formed, and permission obtained from the Throne to commence mining operations.

The Kaiping coal-field lies in the coastal plain about midway between Shanhaikwan, where the Great Wall meets the sea, and Taku at the mouth of the Pei Ho. The first shaft was sunk at Tongshan in 1878 at the eastern end of the field, under the direction of the late Mr. R. R. Burnett, who had been appointed Chief Engineer. The nearest point, however, at which the coal could be made available for shipping purposes was Pehtang,¹ at the mouth of the Pehtang Ho, some twenty-nine miles away.

¹ It is of interest to note that it was at this point that Lord Elgin landed in the operations of 1860. For position of this and other places, see map facing page 37.

The absence of satisfactory transport between this place and the colliery was made the opportunity for an attempt to introduce railways.

Before a start could be made, however, the Imperial sanction had to be obtained, which proved a matter of considerable difficulty. The principal objections were based on superstitious grounds. As is very generally known, the Chinese have an elaborate system of geomancy known by the name of "Feng-shui," in accordance with the principles of which the fortunes of places are said to be determined. The professors of this science are both active and numerous, and for them the occasion was a great one. The result was that the most absurd reasons within the power of human ingenuity to devise were produced to prejudice the scheme in the eyes of the central authorities. Nevertheless, the Imperial sanction was in due course obtained, whereupon Mr. C. W. Kinder was appointed Resident Engineer to undertake the construction of the railway. Unfortunately, Mr. Kinder had hardly arrived on the scene and received instructions to commence the work when the Imperial sanction was incontinently withdrawn.

Attempts were made in Peking to procure a reversal of this decision, but these proved unavailing. It was therefore decided after some considerable loss of time to construct a canal from the colliery to Lutai, the nearest point on the Pehtang Ho, a few miles above Pehtang. Surveys, however, showed that it was impossible to carry the canal right up to Tongshan, and the Imperial Government was again approached, with the result that ultimately a reluctant assent was given to the construction of a tramway between the colliery and Hsukochuang, some seven miles distant, where it was proposed the canal should end. This tramway was to be worked with mules.

Unsatisfactory as this was, Tong King Sing, who was fully alive to the advantage of a line, determined to commence operations immediately; locomotives, he hoped, might follow in the fulness of time. The engineer was accordingly instructed to take the work in hand.

The first question that presented itself was one of gauge. The Woosung Road, with which Tong King Sing was familiar, had formed an unfortunate precedent in that respect. Though the original scheme was on the English model, it was, as will be remem-

bered, modified for financial reasons, and the gauge reduced from standard (4 feet 8½ inches) to 30 inches. Fortunately, Mr. Kinder appreciated the significance of the point at issue. He realised that the tramway would be extended ; that it was destined to form a section of what would some day be a considerable system. He felt too that the occasion was a critical one ; that the gauge then adopted would have an important bearing on the railway developments of the future. Before coming to China he had enjoyed considerable experience on the railways of Japan, and was fully cognisant of the disadvantages of the 3½-foot gauge of the Japanese system. He therefore determined that the Chinese should not suffer from any mistaken notions of economy if in his power to prevent it, and he urged to the point of insistence the adoption of the English standard (4 feet 8½ inches). After a stiff struggle the point was gained, the line being laid out in 1880 and completed in the following year.

While the work of construction was in progress, Mr. Kinder quietly commenced to build a locomotive of what he himself has described as being of "very extraordinary design." The boiler originally belonged to a portable winding engine. The wheels had been bought as old iron, while the frame was made of channel iron borrowed from the head-gear of the No. 1 shaft at the Tongshan colliery. The cost of construction was five hundred and twenty Mexican dollars, something between seventy and eighty pounds, including labour and all but old material.

Before this engine was finished its preparation became known, and strict orders were issued that it should be stopped at once. But after a few weeks, during which time H.E. Li Hung Chang was constantly consulted, the monster was allowed to be completed. And on the 9th of June 1881, just one hundred years after the birth of George Stephenson, it was christened the "Rocket of China" by Mrs. R. R. Burnett, the wife of the Engineer-in-chief.

The locomotive was now put into daily use for conveying materials for the tramway, and, the opposition ceasing, two tank engines were purchased in the following year.

Such was the manner in which was effected the first stage in the development of the present railway system of North China. It exemplified two things. In the first place, it demonstrated the soundness of applying the thin edge of the wedge principle in

dealing with Chinese official classes, an idea with which Tong King Sing was thoroughly familiar. Secondly, it showed the results that tenacity of purpose can achieve even in China, in the face of deep-seated and apparently insurmountable prejudice.

CHAPTER V

THE KAIPING RAILWAY ADMINISTRATION AND THE CHINA RAILWAY COMPANY

THE next move was made in the year 1886. About this time a slight reaction in favour of Western improvements had set in at the capital. The French War had a short time previously been concluded, but the effects which in China have usually followed on armed conflict with foreign troops still remained. The mind of the Government was filled for the moment with a dread of invasion. It was anxiously discussing possible reforms calculated to enable China to cope more effectively with foreign powers.

In these circumstances Mr. Detring, Commissioner of Customs at Tientsin, arranged an interview for Mr. Kinder with the Vice-roy, which gave the former, who, on the retirement of Mr. R. R. Burnett in 1882, had become Engineer-in-chief, an opportunity of explaining his views personally. With the soundness of those views Li Hung Chang was impressed, with the result that the Throne was memorialised for permission to continue the railway from Hsukochuang to Lutai.

The required permission was in due course granted, and a new company was formed to take over the tramway and build the new line. This company was known as the Kaiping Railway Company, and placed under the management of Mr. Wu Ting Fang, a member of the English Bar, who has since become distinguished in diplomatic life. The capital, which was not raised without some considerable difficulty, amounted to \$250,000, equal at that time to approximately £70,000.

Nearly half of this sum, however, was absorbed by the mining company as the price of the tramway, and accordingly the work of construction on the extension had to be undertaken on the most economical principles. Fortunately the circumstances of the times were favourable to this. For most of the distance,

advantage was able to be taken of the canal bank, which required very little raising to make it suitable for the purpose; while the anxiety of foreign firms to gain first foothold with the railway authorities rendered it possible to obtain rails at considerably below their market value.

Work was commenced at the Hsukochuang end in November 1886. By the following May it had been completed at a cost, including one American locomotive and forty ten-ton coal waggons, of \$135,000, equal to about £34,000.

Meanwhile Li Hung Chang was preparing the way for further extension as soon as the section to Lutai should be completed. To this end he caused a memorial to be presented to the Throne by the Board of Admiralty. It is interesting to trace the delicate way in which he handled the Central Government. The tramway and its extension to Lutai, and even on to Tongku at the mouth of the Pei Ho,¹ were justifiable on obvious commercial grounds. The value on the same grounds of an extension to Tientsin, and again at the Tongshan end northwards to Shanhakwan, would not perhaps have been equally patent to the Chinese official mind. His Excellency therefore temporarily relegated the claims of commerce to the background and raised the banner of military expediency, which explains why the Board of Admiralty became the channel of communication of his views.

In illustration, the few lines with which the memorial opens, together with a subsequent paragraph, may with advantage be reproduced :

"A memorial to the Empress submitting a proposal for the experimental introduction of a Railway at Tientsin and other places, in order to facilitate the movement of troops and the transport of material of war, and to increase the profits of the mercantile classes. . . .

"The northern and southern garrisons are too widely separated, and it would be difficult to come to the rescue in time of need. We cannot therefore neglect to station troops at the most important and exposed places, occupying beforehand those points where the first struggle (in the event of war) will take place, thus displaying the might of the nation, as it were, before her gates. But on the portion of the sea coast nearest to Peking, from Taku and Pehtang northwards for a distance of 500 li, the garrisons are few in number, and the gaps between them are a great source of danger.

¹ Strictly speaking, the Pei Ho is the river above Tientsin. Between Tientsin, where it is joined by other rivers, and the sea, it is known as the Hai Ho. But it is more convenient to adhere to one name for what is in reality the same stream.

If they were united by a line of railway, in any case of emergency troops dispatched in the morning could arrive at their post in the evening, the soldiers of one garrison would suffice for the protection of several places, and the cost of maintaining the army could be greatly reduced."

The memorial was presented on the second day of the second moon of the thirteenth year of His Imperial Majesty the Emperor Kuang Hsu (15th March 1887). It was shortly followed by a rescript from the Throne approving the scheme and commanding the memorialists to put it into immediate execution.

The preliminary step being thus successfully taken, the Kaiping Railway Company changed its name to the China Railway Company, the local character of the undertaking, as implied by the former name, having in contemplation, at any rate, ceased to exist. A prospectus, which is said to have been the first Chinese prospectus, on record, was issued on the 12th of April 1887, inviting subscriptions by the public of one million taels; and an advertisement appeared in the foreign newspapers inviting tenders before the 15th of June for two thousand tons of rails and fastenings. The Hong Kong and Shanghai Banking Corporation were appointed bankers of the company, and intending shareholders were invited to deposit with the branch offices of that institution at the various Treaty Ports, the amount of their subscriptions.

Capital, however, did not flow into the bank. The idea of joint-stock enterprise, unless under foreign supervision, fails to appeal to the generality of Chinese investors. They distrust all forms of administration, and with one or two notable exceptions occurring in parts of the Empire within the range of foreign influence public companies are unknown.

To increase the public confidence the Viceroy issued a proclamation towards the end of May earnestly commanding the prospectus. Stress was laid on the fact that it was intended, in accordance with the practice which obtains in the case of foreign joint-stock companies, to place the management of the company's business in the hands of a Board of Directors selected by the shareholders in general meeting and exempt from interference by the officials. He urged capitalists to come forward, dwelling on the soundness of the scheme from the investor's standpoint, and on the incalculable benefits to the country through which the line was to pass. It is to be feared, however, that this proclamation failed to produce the desired result, and it was only with the

utmost difficulty that the promoters of the scheme succeeded at last in collecting a sum approximating to that required.

That they had the strength of mind to struggle with their difficulties and surmount them to the point of success must be accounted a more than creditable achievement. Great syndicates had been formed in Europe in anticipation of a China boom after the French War. Schemes exceeding in their extent the most sanguine dreams of Sir MacDonald Stephenson nearly a generation before had been elaborated. Each and all were ready to assist China with money, or in any way that promised a possibility to themselves of future gain and a secure foothold in the Empire. So keen was the competition that one of these syndicates even went so far as to send out a small experimental railway to Tientsin. A couple of miles of line of thirty inches gauge were laid in the plain at the back of the British settlement, and Chinese of all classes were taken for what in the case of the majority was their first railway journey. Needless to remark, the novelty was fully appreciated, the people of the north displaying their interest much in the same way as the inhabitants of the Shanghai neighbourhood had shown their interest some ten years previously in the Woosung Road. And no doubt, as an object lesson to accustom the Chinese to the new idea, it had a beneficial effect. But at this point its utility ended, and though the line, locomotive, and cars were subsequently presented to the Empress Dowager, who had them laid down in the grounds of the Winter Palace, where for some years they served to amuse the leisure of the Court, the experiment entirely failed in its object as far as the syndicate was concerned. The Chinese resolutely refused to give out any railway contracts, and the syndicate in question had to be content with a contract for docks at Port Arthur, which in all probability it would never have obtained had not the works been entirely beyond Chinese engineers and situated at a place some considerable distance from Peking.

To return, however, to the railway to Tientsin. It was decided to commence the Lutai-Tongku section as soon after the completion of the line from Hsukochuang to the former place as it could conveniently be undertaken. In May, therefore, a proclamation was issued by the magistrate informing the people that owners of land which was required for the line would be expropriated on equitable terms. Unfortunately, those deputed

by the managers of the company to make the necessary arrangements neglected to proceed on these lines, otherwise the trouble that ensued might have been avoided. The principle on which they, in fact, acted was to seize what land they wanted and arrange a settlement with the owner if he were sufficiently influential to compel one. The result was that half the countryside was shortly up in arms and waging war against the railway company. The old graveyard difficulty became intensified, and a great deal of hostile feeling was quite unnecessarily raised against the railway. Thus, when ultimately the procedure was corrected, the people met the company in a most unfriendly spirit, putting up the price of their land and setting greater store by their ancestors than ever.

Another difficulty was the question as to the side of the Pei Ho to be followed by the line beyond Tongku.

Mr. Kinder urged the adoption of a route to Tientsin on the left bank or north side of the river. Most of the candidates for railway construction, on the other hand, planned and estimated for a Tientsin-Taku line. But considered as part of a trunk line, the necessity for avoiding the right bank is obvious, for, in addition to numerous bridges which would have been required at or near Tientsin, and which by following the left bank could be avoided, it would have been necessary to provide some means of crossing the Pei Ho, perhaps by a steam ferry, at Taku. Nevertheless, Mr. Kinder experienced some considerable difficulty in carrying his point, so much reliance did the Chinese officials place on the opinion of some of the specialists who so gratuitously advised them.

Once settled, however, the work proceeded with great rapidity. Early in April the section to Tongku was completed, and in August Tientsin was reached, though the line was not opened to regular traffic till some time later, the ballasting and other small matters not having been completed. In October His Excellency Li Hung Chang journeyed over the line and made a thorough inspection.

The length of the line that had been constructed was eighty-one miles. It now forms the central section of the line between Peking and Shanhaikwan, the former place being about eighty miles from Tientsin, and the latter a similar distance beyond Tongshan.

The country traversed by the line is monotonously flat, being part of the great North China plain in which is included the greater portion of the province of Chihli. And between Lutai and Tongshan, in the neighbourhood of Tongku, where the line approaches

the sea, the flats take the form of a great salt marsh only relieved by the stunted growth of vegetation that here and there appears only to emphasise the barren nature of the land.

But if the country is devoid of interest, it at least has the merit of presenting no serious engineering difficulty, embankments, flood openings, and small bridges being the chief expense. The only considerable bridge required was at the crossing of the Pehtang Ho at Hanku in the neighbourhood of Lutai. Hence the low cost of construction, which was in the neighbourhood of £3000 a mile.

But that a first-class line equipped with adequate rolling stock and shops¹ should have been constructed at such a low cost must also be attributed in large measure to the able and economical management of Mr. Kinder and his staff, and in less degree to the competition in Europe and America.

In November two trains passed daily between Tongshan and Tientsin, and the Throne was now memorialised to allow the extension to Tungchow, a place about twelve miles to the east of Peking and the head of junk navigation on the Pei Ho. This was the point nearest the capital, which it might be hoped with some show of reason would prove attainable, the telegraph having already arrived there.

The memorialists pointed out that although for strategic reasons it was desirable to push the line to Shanhaikwan, commercially it would be more satisfactory to construct the Tientsin-Tungchow section first, as the returns from this would inspire the shareholders with confidence and facilitate the raising of capital for the extension to the north-east. In the following month the Imperial sanction was obtained, and accordingly Mr. Wu Ting Fang and some of his fellow-directors, accompanied by Messrs. Kinder & Cox, travelled over the proposed route between Tientsin and Tungchow in January 1889, the engineers of the party taking the opportunity to make a rough survey. A few days later the magistrate of the Tungchow district issued a proclamation reciting the Imperial commands and informing the people that a fair rate would be fixed at which the land required

¹ The first shops were temporarily at Hsukochuang, and were well supplied with machinery and appliances, cars and carriages being built while the line was under construction. In 1888, however, the shops were removed to Tongshan, in all respects a more suitable location.

would be taken over. At the same time tenders for materials were invited through the medium of the foreign press.

Meanwhile the reactionary party in Peking was fighting hard to prevent any further progress being made. The burden of their argument was the protection of the poor of the neighbourhood. They urged that in China, where the poor are so numerous and the struggle for existence so keen, there is no working margin between their daily life and starvation, and that therefore the authorities must advise themselves with every care as to the factors of the situation before permitting any derangement of the currents of traffic which would throw many industrious people out of work.

There is, of course, much sound sense in this contention. Apprehension undoubtedly does exist of industrial disturbance, interference with vested interests, violation of old customs, affronts to superstitious beliefs and the like, and therefore the march of progress in the best interests of the people should not be too rapid. It is to be doubted, however, whether the reactionaries were sincerely interested in anyone but themselves, or whether they did not work on popular feelings, fanning them into flame, to serve their own ulterior purposes. The head of the movement was Prince Tsun, commonly known as the Fifth Prince, and associated with him were those interested in the carriage of grain trade by the river to Tungchow, with which it was thought the railway would seriously compete. It is also to be noted that the cabal thus constituted included those antagonistic to Li Hung Chang on political and personal grounds, who eagerly accepted the opportunity of attempting to wreck at the same time both the policy and the man.

In February it became clear that the reactionaries had for the time become too strong for the progressive party at Court, and the Empress Dowager announced her determination to refer the matter to the decision of the Grand Council and to seek advice from the provinces. The Viceroys and Governors throughout the Empire were consequently commanded to memorialise the Throne on the subject of railways.

Two only of these memorials require attention, namely, those of Liu Ming Chuan, of Formosan fame, and Chang Chih Tung, then Viceroy of the Liang Kwang, with headquarters at Canton.

The former, as might have been expected, grasped the true idea.

Attempts had been made to frighten the Government by urging that the extension to Tungchow would lay Peking open to invasion. He experienced no difficulty in controverting this ridiculous argument. "The real door of the capital," he wrote, "is the harbour of Tongku, and safety or peril will depend upon its maintenance or loss." He concluded by advocating strongly the advisability of continuing the line to Tungchow.

Chang Chih Tung, on the other hand, took a different view. He laid down the axiom that "at their initial stages foreign nations only constructed trunk lines," and on this he based his now celebrated railway scheme. Expressing himself as against the extension to Tungchow on strategic grounds, he urged the construction of a trunk from Hankow to Lukouchiao, where the trade route northwards crosses the Hun Ho, which is spanned at that point by a beautiful old stone bridge said to have been one of the bridges so enthusiastically remarked upon by Marco Polo, in the course of his travels in the fifteenth century.

The star of the reactionary party continuing in the ascendant in Peking, it was decided to adopt Chang Chih Tung's scheme, and that official was forthwith transferred to the Viceroyalty of Hu Kuang, and commanded to take up his quarters at Hankow and straightway commence the work on the lines planned by himself.

The suddenness of the command must have caused Chang Chih Tung some surprise. We may certainly assume that it embarrassed him, for the scheme was not such as could be put into execution by Chinese engineers at the then stage of China's development. Something, however, had to be done, and he therefore founded the Hanyang Government Steel Works, and commenced preparations for turning out rails, in anticipation of the time when he should deem it advisable to attempt a start on the duty that had been assigned to him.

In other words, his scheme was shelved, but it had served its turn in checking the more practicable scheme of Li Hung Chang, and postponing its execution for several years.

It must be recorded that the reactionary party gained another success in connection with the Pei Ho Bridge. This structure was intended to connect the south side of Tientsin and the foreign settlements with the railway terminus on the north bank of the river.

In 1889 a clique headed by certain high officials, who detested

the railway, determined to foster trouble with the junk people, who were glad enough to seize the chance of a dispute with some show of right on their side. So great was the clamour raised that the Viceroy finally gave the order for the nearly completed bridge to be destroyed, although hundreds of the largest junks had already safely passed through on their way to the city. The railway company refused to remove it, and the opposing officials had to secure men and the necessary plant from the various arsenals.

"The stone abutments," wrote Mr. Kinder a few years later, "now alone remain to mark the site, monuments of intrigue and jealousy which form the real barrier to China's advancement. No better instance could be given of the difficulties which beset the path of those who would improve this country even under the most liberal-minded and powerful Viceroy that China has ever seen, and at whose express desire the work was undertaken."

It only remains to be said that the railway company, having failed to overcome the opposition of the reactionary party in Peking, contented themselves for the present with the construction of the extension from Tongshan northward, a start being made in the spring of 1889 towards Kaiping. This section was completed in the autumn, and in the following year it was continued to Kuyeh, thus putting Linsi, in the north-east district of the Kaiping coal-field, where a shaft had already been sunk, into rail communication with the sea.

CHAPTER VI

THE IMPERIAL RAILWAYS OF NORTH CHINA AND THE CHINESE EASTERN RAILWAY. 1890-1900

THE activity of the China Railway Company came to an end on the completion of the extension to Kuyeh. Their capital was exhausted, and though efforts to raise money would have been made had permission to construct the Tientsin-Tungchow line, which promised good financial results, not been withheld, there was no sound commercial reason for continuing the line beyond Linsi, the northernmost pit of the Kaiping coalfield.

The Imperial edict, however, which had been issued in reply to the Memorial of the Board of Admiralty, had authorised, or rather commanded, for strategic reasons, the extension of the line to Shanhakwan, the great military camp of the North just inside the Great Wall. In 1891, therefore, Li Hung Chang undertook the construction of this section as a Government undertaking, and caused the Imperial Chinese Railway Administration to be formed to assume the management.¹ The work was completed under the supervision of Mr. Kinder, who had become Engineer-in-chief under the new administration, early in 1894.

Still running along the coastal plain, the country, like that farther south below Tongshan, presented no engineering difficulties, except the bridging of the Lan Ho. But the similarity goes no further. In striking contrast to the marshy Lutai-Tongku section, the line here traverses the eastern fringe of one of the most naturally fertile stretches of country in the world. The soil, of the rare loess formation, produces every variety of cereal in rich profusion, from the stately kaoliang, or tall millet, with its magnificent head of red brown grain, to the lowly

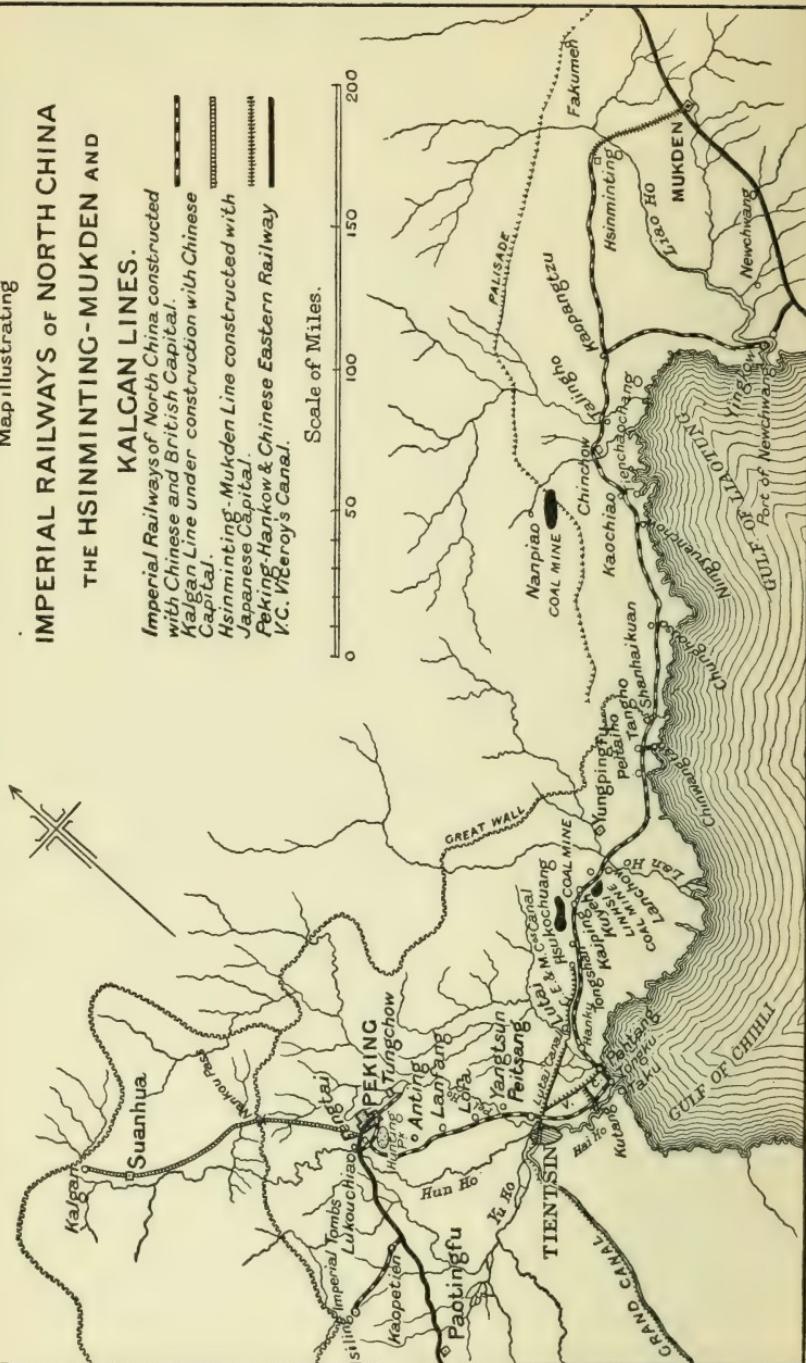
¹ The China Railway Company retained control of their section of the line (Tientsin-Kuyeh), Mr. T. W. T. Tuckey becoming Engineer-in-chief on Mr. Kinder and Mr. Cox becoming attached to the newly formed administration.

Map illustrating
IMPERIAL RAILWAYS of NORTH CHINA
THE HSINMINGTING-MUKDEN AND
KALCAN LINES.

Imperial Railways of North China constructed
with Chinese and British Capital.
Kalgan Line under construction with Chinese
Capital.
Hsinmingting-Mukden Line constructed with
Japanese Capital/ Peking-Hankow & Chinese Eastern Railway
V.C. Viceroy's Canal.

Scale of Miles.

0 50 100 150 200



bean that grows between the rows of stalks in the intervening furrows.

With the change of country comes too a change of scene. To the north-west appear low ranges of hills, and in the far distance the mountains of Jehol, refreshing alike to the eye and heart of the dweller in the great Chihli plain. It is in this neighbourhood, a few miles short of Shanthaikwan, that the foreigner has found out for himself a delightful Arcadia, whither he may betake his jaded spirits in the summer heat. At Peitaiho the line runs within five or six miles of the most charming spot on the Chihli coast, and there the Tientsiner has his country seat; thither, wearied by the pursuit of the unstable tael, he repairs and cultivates the simple life, seeking the while to attune his soul to nature.

But to return to the railway, and in particular to the Lan Ho.

In normal times this river is a shallow sandy valley running up from the Gulf of Chihli, amongst the hills and mountains and through a country almost unsurpassed for its beauty of scenery, to its source on the great Mongolian plateau. In the midst of the valley runs a stream by no means considerable, though sufficient to meet the demands of the transport of the neighbourhood. But in the rainy season the whole extent of the sandy valley is submerged. The insignificant stream becomes a torrent of tremendous velocity, with its waters charged with the limbs of trees and débris of every imaginable description, threatening the existence of any obstruction it may find in its path.

In these characteristics the Lan Ho is by no means exceptional. Such is the nature of the generality of Chinese rivers, and such the conditions with which the bridge builder has to cope.

The bridge over the Lan Ho, the construction of which was supervised by Mr. A. G. Cox, has certainly satisfied all requirements, and is the most notable piece of engineering to be found throughout the length of railway, representing the first attempt on a large scale to bridge a Chinese river. It is built on piers of solid masonry, part of the foundations being carried down 70 feet to bed rock by the pneumatic process, which was then employed for the first time in the East. Its length is 2200 feet from face to face, and with the exception of the recently completed bridge over the Yellow River it is the longest bridge in China proper.

Concurrently with the construction of the Shanthaikwan section the Viceroy was taking steps to realise a railway project he had

formed, with possibly an ulterior strategic design, for the development of Manchuria. In 1890, having temporarily abandoned his Peking-Tungchow scheme, he sent for Mr. Kinder and informed him that he had in view the construction of a line traversing the southern provinces of Manchuria from west to east. The route he proposed was from Shanhaiwan through Chinchow to Hsinminting,¹ thence across the Liao River to Mukden, and continuing in a north-easterly direction through Ninguta to Hunchun on the Tumen River, in the neighbourhood of the Russo-Chinese boundary on the east. From Mukden a branch line southwards to New-chwang, the principal port of Manchuria, was contemplated. The instructions to the Engineer-in-chief were to go over the ground and ascertain the nature of the country and the best route to be followed.

But that we may be in a position to attach the proper significance to Li Hung Chang's policy it is desirable before proceeding further to examine briefly the conditions prevailing at that time in Manchuria, or more generally in the north-east of Asia, and to make some endeavour to appreciate the relative positions of the Chinese and the Russians in that region. To do this effectively we must briefly outline the history of the conflict between the two peoples during the past two hundred and fifty years.

Until nearly the end of the sixteenth century the Russian Empire was entirely European. Fifty years later a great expansion across the northern plains of Asia had taken place, commencing with the founding of Tobolsk a few hundred miles east of the Urals in 1587, and ending in 1638 with Okhotsk on the shores of the Pacific. Yakutsk on the River Lena, the starting-point of many a descent into the more fertile provinces of Manchuria that lay toward the south, was founded in 1632.

The inhabitants of the most northern part of Manchuria at that time were of Tungusian stock, and with them the Russians first came into conflict in 1643. In that year an expedition, under one Poyarkof, started from Yakutsk, and, ascending the Aldan River, succeeded in reaching the Dzeya, which flows into the Amur near Blagovestchensk. A few days later he reached the Amur, which he followed to its mouth, discovering the Sungari flowing into it from the south. Discoveries in other directions

¹ This place is better known as Hsinmintun, but Hsinminting is the railway spelling, and it is therefore retained. It has recently been raised to the dignity of a "fu" city.

were also made, the expedition ultimately returning to Yakutsk in 1646.

This expedition was the precursor of others, until the notice of the Chinese was attracted to these incursions. The present Manchu dynasty was then in occupation of the throne of China, and military forces were from time to time dispatched against the Muscovite invaders. Eventually, after some years of intermittent warfare, plenipotentiaries were appointed on both sides, with the result that the Treaty of Nerchinsk was concluded on the 27th of August 1689. By it Russia gave up much of the ground she had gained during the preceding forty years. The boundaries between the two Empires were defined as being "formed by the river Kerbechi, near the Shorna, which enters the Amur, and the long chain of mountains extending from its sources to the Eastern Ocean. The rivers and streams which flow from the southern slope of these mountains, as well as all territories to the south of them, belong to China; the territories and rivers to the north remain with the Empire of Muscovy." Similarly, farther west the Argun forms the dividing line. It was further provided that Russia should retire from her fortress at Albazin, which was within the area recognised as Chinese territory.

For a century and a half the terms of the Treaty were fairly observed. In 1847, however, Count Muravieff was appointed Governor of Eastern Siberia, and it soon became evident that he had determined on a policy very different to that of his predecessors. From the day he assumed office expeditions of exploration and settlement were continuously dispatched southward, in spite of Chinese protests, until 1854, when he boldly seized the Amur. The intention ultimately to take this step had been obvious for some time, but the immediate justification for the course was the fact that, owing to the blockade of the Black Sea during the Crimean War, it was essential to control the Amur in order to get supplies from the interior down to the coast settlements on the sea of Okhotsk and the Straits of Tartary, which in ordinary times were supplied directly by sea from Europe. When ships of the allied fleets appeared off the Siberian coast on the look out for prizes of war, the absolute necessity of Muravieff's action, at any rate from the Russian point of view, seems clearly established. It may not have been a proceeding which would receive the sanction of the Law of Nations, but, as the case was

tersely put by a Russian writer, "supplies were urgently required on the Lower Amur, and necessity knows no law."

The Chinese protested strongly against the Russian move, and attempts were made in Peking by emissaries from the Tsar to negotiate a Treaty legalising Muravieff's action. They went even further, and offered to quell the Taiping rebellion then threatening the dynasty in return for the cession of the whole of Manchuria. The Chinese, however, refused the bargain, and nothing was left for Count Muravieff Amursky, as he had now become, but to ignore the Chinese and proceed to strengthen the Russian position on the river from which he had taken his new title.

While things were in this state China became involved in war with Great Britain and France, with the result that when in 1858 the Governor returned from a visit to Russia he found the Chinese tractable and willing to embody his demands in a treaty which was signed at Aigun. In the following year, however, when Sir Frederick Bruce, on his way to Peking in pursuance of the Treaty of 1858 with Great Britain, was repulsed at Taku, the Chinese, encouraged by their temporary success, repudiated the arrangement that had been come to with Russia. In consequence of this, General Ignatieff was dispatched to Peking to make representations to the Emperor. Arriving in 1860, when Lord Elgin and the allies were again at the gates of Peking, he experienced no difficulty in negotiating the Treaty of Tientsin, which settled the boundaries of Manchuria as they stand to-day, taking the Amur and the Ussuri Rivers as the principal boundaries of Chinese territory on the north and on the east, and giving Russia the harbour of Vladivostock, "Lord of the East," the long-desired port on the Pacific.

It was soon realised, however, that Vladivostock was icebound for several months in each year, and that Russia's ambition was only partially achieved. The following years were therefore spent in strengthening her position so as to be prepared for eventualities. The military posts along the Amur and the garrison towns on the great Siberian caravan route were largely increased, and full advantage taken of the right of the Russian subject to trade and settle in Manchuria and China. Careful surveys were made by Russian experts, and the possibilities of the country studied at the instance of the Russian Government, who were only just

beginning to realise something of the immense possibilities of China. Thus in 1890 the hand of Russia had long been laid on Manchuria, and she was only waiting for the psychological moment to arrive when she might take those regions for her own.

Mr. Kinder's survey started in May 1890. It was desired to keep the expedition and its object secret, but the Russian intelligence had contrived to discover what was on foot before the party started, and it may be supposed the Chinese move was scarcely welcome. It certainly had the effect of forcing Russia's hand to the extent of compelling her to hasten the execution of her plans.

The party went to Yingkow by steamer, and thence by cart to Kirin and Ninguta, a rough survey being made. The country, particularly beyond Kirin, was found to be very wild, and owing to the prevalence of brigandage a large escort of soldiers was necessary to the safety of the party. Hunchun was reached towards the end of July. On crossing the frontier, and during the journey across the Maritime Amur territory to Vladivostock, by way of which the party returned home, every civility was shown by the Russians. It was, however, clear that they regarded the projected railway with strong disfavour, and would exert themselves to the utmost to prevent its construction.

In St. Petersburg the new development aroused the serious attention of the Imperialist party, and steps were immediately taken to meet it. The construction of the Siberian Railway, which, first mooted in 1875, had been under discussion for several years, but up to that time had never really passed out of the region of rather vague contemplation, was decreed by Imperial Rescript early in 1891, and later in the same year the present Tsar, then the Tsarewitch, accompanied by Prince Uktomsky—perhaps the most insistent of Russian Empire builders—made a tour in the Far East. In October 1891 Vladivostock was visited, and the new railway which was to run north to Khabarovka at the junction of the Ussuri and the Amur, and on which construction had already commenced, was formally inaugurated.

At the same time surveys for the line across Siberia were being made, and in the summer of 1892 a start was made with the construction of the western section. Meanwhile the Russians were working steadily at Peking, obstructing Li Hung Chang's scheme in order to gain time in which to mature their own. The position,

in fact, had developed into a race to the Russo-Chinese eastern frontier. If the Chinese could succeed in building their projected line through Manchuria before some opportunity presented itself to the Russians for obtaining a concession, the probability of the latter securing the railway rights in the three eastern provinces at which they aimed would be considerably diminished.

Li Hung Chang was not slow to realise this. Indeed, he had doubtless long since calculated all the possibilities of the situation, and if his real intentions could be known it would not improbably prove that he designed his survey in 1890 as a test of Russian intentions. At that time he was much alive to the real antagonism that existed, and must in the nature of things continue to exist, between Chinese and Russian interests in the north-east of Asia. The circumstances out of which arose the apparent harmonisation of interests in 1896 had not then occurred ; and so, noting the activity in St. Petersburg, he laid his plans accordingly.

In the earlier part of this chapter the circumstances of the extension from Kuyeh to Shanhakwan have been recorded. Before it was completed, which it will be remembered was in the year 1893, Li Hung Chang, notwithstanding Russian influence in Peking, had obtained the Imperial sanction to continue the line beyond the Great Wall, and construction was commenced in the direction of Chinchow in the spring of that year, further orders for stock and materials being placed in Europe. To facilitate construction it was decided to land materials at Tienchaochang, an inferior harbour half way between Shanhakwan and Yingkow and some three miles from Kaochiao, the nearest inland point touched by the railway, between which and Tienchaochang a temporary line was constructed.

All materials were therefore shipped to Port Arthur, and the transhipment of the greater part was made by junks in 1894. Six thousand tons of rails, however, were still in Port Arthur when the Chino-Japanese War broke out, and they were ultimately taken away by the Japanese when the fortress fell. But beyond this, and a certain amount of depreciation of the stores owing to exposure, and expenses connected with the staff, the Railway Administration did not suffer by the war, as the material already landed at Tienchaochang lay there uninterfered with by the belligerents.

At the time of the outbreak of the war the extension had been

carried to Chunghouso, some forty miles beyond Shanhakwan, but had not been opened to public traffic. In the spring of 1895 the war came to an end : the circumstances of its conclusion in relation to the railway development of Manchuria are worthy of serious study.

Japan, victorious at every point, had China at her feet. In March an armistice was agreed for the purpose of discussing terms of peace. Plenipotentiaries were appointed on either side. Count Ito was selected to represent Japan ; China entrusted the negotiations to Li Hung Chang. The place of their meeting was Shimonoseki, on the Straits of Shimonoseki between Hondo and Kiushiu, the two larger islands of Old Japan.

The terms demanded by Japan were, in brief, the independence of Corea, the cession of the Island of Formosa and of the Liaotung Peninsula, and the payment of an indemnity. The demands were in accordance with anticipation, and after a good deal of discussion they were embodied in the Treaty, which was signed on the 17th of April. The terms of the Treaty did not tend to restore Li's waning popularity, though he certainly had had no option in the matter, and was besides more fully aware perhaps than his critics of the probable effect of the terms that had been arranged. It is rather more than hinted by Mr. Michie that before leaving for Japan a secret understanding had been arrived at between Li and the Russians, who saw in the humiliation of China an opportunity to augment their prestige in Peking. The suggestion is that Li was given to understand that Russia would protest against any cession of territory on the mainland, and veto any terms that he might be compelled to accept involving such a proceeding. In return Russia was to receive trading and other facilities in China. The fact that Li directed most of his efforts to saving Formosa perhaps lends some support to the idea, though, as must be admitted, it would not be incompatible with the absence of any understanding such as that indicated. He would, of course, have preferred to avoid the necessity of signing away Liaotung, but with his knowledge of Russian aims and ambitions he must have felt that Liaotung would in all probability be saved by Russian interference. At the worst, he doubtless saw that in effect he was only substituting Japanese for Russian ascendancy in Manchuria,—from the Chinese standpoint merely one evil for another.

Whether or not such an understanding as has been outlined

existed when Li went to Japan there can be no doubt that a bargain was subsequently effected, with the result that on the publication of the Treaty a protest came from Russia, supported by France and Germany, against the cession of any territory on the mainland, and Japan was deprived of the chief fruits of her victory in return for an increased payment of indemnity.

By this means the aims of Russia were materially advanced, while the chance of continued Chinese ascendancy in Manchuria underwent a marked decline.

On the conclusion of his diplomatic labours in connection with the settlement with Japan, Li Hung Chang returned to his railway scheme, and, taking advantage of the alarm prevailing in Peking consequent on the result of the war, he revived the question of the extension toward the capital. In one particular the scheme was revised. Previously the objective had been Tungchow, but to avoid all chance of interference with the boat traffic, Lukouchiao was selected as the terminal. This time Li's efforts were successful. The Fifth Prince was dead. There was at the moment no reactionary party who dared uplift its voice against any scheme that might tend in any way to the strengthening of the Empire. There was a nascent sense of the necessity of improving China's methods which induced a reforming tendency. So the Empress Dowager, this time without fear of criticism, was able to renew the Imperial sanction to the line which had been given and subsequently withdrawn in the winter of 1888.

The work of construction was commenced in the autumn of 1895, some difficulty being experienced in regard to the financial side of the matter. Hu Yen Mei, Governor of Peking and Director General of the Imperial Railway Administration, had proposed to raise a loan for £400,000 through the Hongkong and Shanghai Banking Corporation,¹ and in the previous July had virtually concluded an agreement in that connection with the Bank's Agent in Tientsin. For some reason, however, the matter fell through, and the construction of the line consequently proceeded without the loan, while to provide the necessary funds the Administration were allowed to overdraw their current banking account with the Hongkong Bank in Tientsin. Thus was laid the foundation

¹ It should be mentioned to prevent confusion that in the following pages this institution is alternatively and more shortly referred to as the "Hongkong Bank," or the "Hongkong and Shanghai Bank."

for the £2,300,000 gold loan of 1899, to which reference will be made later.

While the line, which was a double track, was under construction, arrangements were made with the China Railway Company for their section from Kuyeh to Tientsin to be taken over by the Imperial Administration. It was desirable that the private company should be absorbed in the Imperial undertaking, and the shareholders were therefore offered Government bonds bearing interest at the rate of 5 per cent. in return for their scrip.

This conversion took place in the early part of 1894. It is characteristic of the methods that sometimes prevail in China that the last of the scrip was called in and bonds issued therefor in the autumn of 1904.

Towards the end of the year 1894 the railway reached Fengtai, and was subsequently continued to Machiapu, some little distance outside the walls of Peking.

It is a little surprising that this proceeding was allowed to pass unchallenged, for it was wholly unauthorised. The Imperial sanction had, in the first place, approved Lukouchiao as the terminus, but subsequently, on the authority of the Engineer-in-chief, Fengtai, about five miles in an easterly direction, and somewhat nearer the capital, was selected. The explanation of the change lay primarily in the fact that Peking was from the outset kept in mind as the objective of the railway, if not for the moment, at anyrate in years to come, when prejudice should be less strong. It was therefore desirable to follow as nearly as possible the true line of route between Tientsin and Peking, which lay through the Imperial hunting park. This was the line of country taken by the original survey, but instructions were given for the park to be avoided, and so the line was carried to the west through Huangtsun and Fengtai, barely skirting the Imperial domain. Lukouchiao was left still farther to the west, and connected with a branch, thus fulfilling the letter of the Imperial commands.

From Fengtai, which was unsatisfactory as a terminus, both from the point of view of the traveller and of the railway, the line, as has been observed, was pushed on in the direction of the capital as far as the village of Machiapu, which was subsequently put in communication with the city by a small electric tramway.

In acting in this way the Engineer-in-chief showed that he had profited by his twenty years' intercourse with the Chinese, and

learned to estimate the strength of rival forces. Had he raised the question of the extension to Machiapu, it may be taken for granted that it would never have been authorised. As an accomplished fact it was accepted by the Chinese without question, for the simple reason that the party which would have favoured it, though not sufficiently strong to have initiated it in the face of superstitious and other objections that would have been raised, was nevertheless sufficiently influential to ensure its retention in the face of any attack that might be levelled against it.

To return now "East of the Barrier," as the Chinese picturesquely call the country east of the Great Wall, in that region the section between Shanhaikwan and Chunghouso, which had been practically completed prior to the outbreak of war, had now been put into working order and opened for public traffic. But its continuation was destined to be delayed for some time longer. China's dilatoriness has been explained on financial grounds. This is partly true. It was, however, no doubt owing in large measure also to the fact that her obligations to Russia had resulted in a large increase of Russian influence in Peking, which continued to exert itself to gain time in the north. A further factor in the situation was that Russia had secured the friendship of Li Hung Chang.

The present writer has no desire to add himself to the list of those who have sought to expound the mysteries of that momentous conversion. Taken in conjunction with the Chinese obligations to Russia, arising from the circumstances of the conclusion of the Chino-Japanese War, its more obvious features alone seem sufficiently to explain the events that subsequently occurred.

In 1895 the present Czar was crowned at Moscow. It was thought an opportunity for paying China a little compliment, and a royal prince was invited to represent the Emperor. Chinese royal princes, however, are not—or at that time at anyrate were not—in the habit of passing beyond the borders of the Empire. There was no precedent for a visit to a foreign Court. Perhaps the statesmen of Russia realised this. At anyrate no objection was made to the substitution of Li Hung Chang for a royal personage, and in due course His Excellency set out on his celebrated tour round the world.

Arrived at Moscow, he was received with princely circumstance. Greater splendour could scarcely have attended the visit of a scion of a Royal House. And amongst the Czar's exalted guests

on that memorable occasion China's representative was allotted by no means the least honoured place.

While in Russia Li Hung Chang had several interviews with Prince Lobanow, then Minister for Foreign Affairs, with whom he is believed to have concluded a secret treaty. This treaty has become generally known as the Cassini Convention, it being supposed that the terms of the convention had been previously arranged by Count Cassini, the Russian Minister at Peking, before Li left for Russia. The alleged text of this agreement was published some months later by Mr. R. W. Little in the columns of the *North China Daily News*, but its authenticity was officially denied. Subsequent events, however, have proved that, whether or not the convention was reduced to writing, an understanding had been come to between China and Russia, which for all practical purposes was in the terms of the document published in the Shanghai journal. Putting the matter briefly, the arrangement amounted to an exchange of guarantees, Russia undertaking to support China against foreign aggression in return for certain facilities for the extension of Russian interests and the construction of railways in Manchuria.

These matters being happily concluded, Li Hung Chang was suffered to depart from the country of the Czars and visit some of the other great countries of the world, which he did with apparent enjoyment, being everywhere received with open arms and on the whole a rather ridiculous effusiveness.

Shortly after his return to China, Li's arrangement with Russia began to bear fruit. Their first manifestation took the form of the Manchurian Railway Agreement between the Chinese Government and—not the Russian Government—but the Russo-Chinese Bank.

This institution had been founded in 1895 to assist in the development of Russian aims in the Far East. In addition to a banking department it has a political side, to which the former is said to be subordinated. It is an institution of great influence, and has, or until the outbreak of the war with Japan had, branches at every important point of railway both in Manchuria and China.

The agreement¹ it now concluded with the Chinese Government provided for "the construction and working of a railway within the confines of China, from one of the points on the western

¹ Appendix A, No. 3; see also Appendix A, No. 4.

borders of the province of Wei Lun Tsian to one of the points on the eastern borders of the province of Kirin, and for the connection of this railway with those branches which the Imperial Russian Government would construct to the Chinese frontier from Transbaikalia and the South Ussuri lines." In other words, permission was given to continue the Trans-Siberian line across Manchuria to Vladivostock instead of following the more circuitous route along the Amur, which presented almost insurmountable difficulties to railroad construction.

A few further points in the agreement should be noted. Firstly, the line was to be constructed by a company formed by the Russo-Chinese Bank, with a capital of five million roubles, and no person except of Chinese or Russian nationality could become a shareholder, which meant, of course, a purely Russian company, for, as has been already pointed out, the Chinese had not reached that stage of education when the idea of joint-stock enterprise either inspires confidence or appears attractive. In this company, which was to be known and ultimately came into existence as the Chinese Eastern Railway Company, the sole control of the line was vested, and also rights, in connection with the railway, and independently of it, of mineral, industrial, and commercial exploitation. A clause in the agreement also secured certain differential Customs' treatment for imported Russian goods and Chinese goods exported to Russia.

On the other hand, to the Chinese was reserved the right to redeem the line in thirty-six years, and an absolute reversion after eighty years without payment of any kind—attractive terms apparently furnishing a consideration for the rights granted, though in effect scarcely more than time limits set by the Russians themselves for the achievement of their ambitions.

On the conclusion of the agreement no time was lost in pouring technical men—railway engineers, military experts, contractors—into Manchuria, the first of these setting out for the Far East in the spring of 1897. On arrival at Vladivostock the surveys for the future railway and the preliminary works for its construction were commenced. Later in the same year a site for a city was selected on the right bank of the Sungari, and there Harbin was founded and established as the headquarters of the construction department of the railway. Materials required for the main line upon reaching Vladivostock were forwarded by the Ussuri railway

to the station of Khabarovsk, and thence were taken in the company's own steamers up the Sungari to Harbin for distribution along the line.

The work on this section, however, had hardly commenced when the circumstances occurred which resulted in the concession to the Russians of the right to construct the branch southwards from Harbin to Port Arthur. It has already been remarked that no long time had elapsed after the signature of the Treaty of 1860 between Russia and China before it was realised that the harbour of Vladivostock—icebound as it is for several months in the year—left a good deal to be desired : in fact, a port adequate to Russian requirements had yet to be secured on the Pacific. The Cassini Convention, it is believed, made some provision in this regard. It was even said that Kiaochau had been specifically leased to Russia, while the ports in the Liaotung Peninsula were in a negative sort of way ear-marked in her favour. The step, however, was great between such an understanding and international recognition of corresponding rights. At best the situation would require the most delicately patient handling.

The opportunity of taking advantage of the arrangement, however, came sooner than could have been reasonably expected.

In 1898 two German missionaries were murdered in Shantung. Thereupon Kiaochau—the desirability of which had been long recognised in German Imperial circles—was occupied, and a lease for ninety-nine years of a respectable area of territory on the shores of Kiaochau Bay was forced out of the Chinese Government.

On the happening of these occurrences Russia, abandoning her designs on Kiaochau, proceeded to take possession of the more favourably situated Port Arthur. Subsequently, on the 27th of March 1898, she secured a lease of that portion of Manchuria known as the Liaotung Peninsula for twenty-five years.

"The term of lease is fixed as twenty-five years from the date of signature. On expiration an extension of the term may be arranged between the two countries."¹

The eighth clause provided for a branch of the railway southward.

"The Chinese Government agrees that the principle of the permission given in the 22nd year of Kuang Hsu (1896) to the Manchuria Railway Com-

¹ Clause 2 of the Agreement.

pany for the construction of a railway shall now from the date of signature be extended to the construction of a branch line from a certain station on the aforesaid main line to Talienshan or, if necessity requires, the same principle shall be extended to the construction of a branch line from the main line to a convenient point on the sea coast in the Liaotung Peninsula, between Yingtsu (Newchwang) and the Yalu River. The provisions of the agreement of the 8th September 1896, between the Chinese Government and the Russo-Chinese Bank, shall be strictly observed with regard to the branch line above mentioned. The direction of the line and the places it is to pass shall be arranged by Hu Ta-jen and the Manchuria Railway Company. But this railway concession is never to be used as a pretext for encroachment on Chinese territory, nor to be allowed to interfere with Chinese authority or interests."

Certain additional stipulations entered into in May provided that the termini of the line should be at Port Arthur and Talienshan.¹

This point gained, the Russification of the country proceeded apace. Port Arthur was fortified, a modern town built at Dalny, and railway construction pushed on. The line was now divided into three sections: the Western, from the Siberian frontier to Harbin; the Eastern, from Harbin to Vladivostock; and the Southern, consisting of the branch from Harbin to Port Arthur.

The paramount importance of the last-named in Russian eyes was soon made manifest, for though the eastern and western sections received merely ordinary attention, the Port Arthur branch was pushed on with the utmost dispatch.

The work commenced immediately on the signature of the lease, being subdivided into three subsections,—Port Arthur to Kaichiao, Kaichiao to Tiehling, and Tiehling to Harbin. The route lay some miles to the east of Newchwang, whose trade was seriously threatened by the projected line. But subsequently it became desirable to run a branch to the Treaty Port, which so far has not suffered any of the anticipated ill effects from the railway. This branch was completed in 1899.

Rolling stock, rails, and all materials were imported from Philadelphia, and landed at Port Arthur and Newchwang.

The gauge adopted for the line is 5 feet, the Russian standard, which was especially stipulated for in the agreement in order that it might be uniform with the Trans-Siberian Road.

So rapidly was the work pushed on that by the time of the Boxer outbreak the line was through with the exception of bridges

¹ Christened by Russia Dalny, and since rechristened by Japan Tairen.

between Harbin and Port Arthur, a distance of 980 versts, or 646 miles ; at the same time, a considerable amount of work had also been done on the western and eastern sections of the line.

But while Russia was thus solidifying her position in north-eastern Manchuria, she was not allowing her attention to be distracted from the south-western portion of the three provinces. A jealous eye was kept on the extension of the Peking-Shanhaikwan line beyond the Great Wall.

In order to be quite clear as to the position of affairs in this connection we may, at the risk of repetition, recall the fact that at the time of the outbreak of the war with Japan, Chunghouso, an unimportant place some forty miles north-east of Shanhaikwan, had been reached, and the permanent way up to that point practically completed, though the section was only opened to public traffic in 1895, after the conclusion of the war.

At this stage extension was for the time being discontinued, and not until towards the end of 1897 was the question of resuming the work seriously considered. The first signs of renewed activity were duly noted by Russia, and made the occasion of an attack upon Mr. Kinder's position as Engineer-in-chief of the railway. M. Pavloff made representations to the Yamen, and endeavoured to persuade them to dismiss Mr. Kinder, but counter-representations were successfully made by Sir Claude MacDonald, the British Minister in Peking. The Russian objection was based on the desire to exclude any foreign influence other than their own from Manchuria. They alleged a promise from China to employ Russian capital and Russian engineers on the extension of the line beyond the Great Wall, and urged that the employment of a British engineer constituted a violation of the understanding. Sir Claude MacDonald pointed out to M. Pavloff that it looked as though it were desired to get rid of Mr. Kinder because he was an Englishman. M. Pavloff's reply is interesting, as being perhaps the earliest formal pronouncement of Russian aims in Manchuria.

"M. Pavloff said there was no wish to get rid of Mr. Kinder because he was an Englishman, but because he was not a Russian ; for he must tell me frankly that the Russian Government intended that the provinces of China, bordering on the Russian frontier, must not come under the influence of any nation except Russia."¹

¹ Dispatch from Sir Claude MacDonald to the Marquess of Salisbury, dated 19th October 1897, *China Blue Book*, No. 1 of 1898, at p. 5.

Sir Claude MacDonald was, of course, unable to admit the argument, and though M. Pavloff again returned to the subject with the Yamen in the following March, Count Lamsdorff subsequently notified Sir Nicholas O'Connor, the British Ambassador at St. Petersburg, that Russia had retired from the position she had taken up ; the incident was therefore closed.

By this time the Imperial Chinese Railway administration had determined to continue the extra-mural extension, and had decided to raise a loan sufficient for the construction of the line to Hsinminting with a branch to Yingkow,¹ and to pay off various loans which had been borrowed from time to time in connection with the line within the Great Wall. These liabilities stood at Taels 2,540,000, —Taels 1,240,000 representing advances by the Hongkong Bank to which reference has already been made, and the balance loans of Taels 600,000 from the Russo-Chinese Bank, and Taels 700,000 from the Deutsche-Asiatische Bank.

In these circumstances Hu Yen Mei, the Director General, turned for assistance to the Hongkong and Shanghai Bank. Negotiations were opened up in April 1898, and on the 7th of June a preliminary agreement was arrived at, but not actually signed, between Hu Ta-jen and Mr. E. G. Hillier, the Peking agent of the Bank, acting on behalf of the British and Chinese Corporation Limited. This syndicate had been formed by the Bank and the house of Jardine, Matheson & Company, earlier in the year, for dealing with Chinese concessions, loans, and Chinese affairs generally, the Bank and Messrs. Jardine, Matheson & Company being its joint agents in China.

The agreement² provided for a sterling loan of 16,000,000 Taels approximately, "for the construction of a railway line from Chunghouso and Hsinminting, and a branch line to Yingkow, and for the redemption of existing loans to the Tientsin-Shanhaikwan and Tientsin-Lukouchiao lines."

The second clause defined the security.

"The security for the loan shall be the permanent way, rolling-stock, and entire property, together with the freight and earnings of the existing lines between Peking, Tientsin, Tangku, and Chunghouso, and also of the proposed new lines when constructed, in addition to the rights of mining

¹ On the west bank of the Liao River, opposite the Treaty Port of Newchwang.

² Appendix A, No. 1.

coal and iron, which will be hereafter determined. In event of default or arrears in payment of interest or repayments of principal, the said railway lines and mines shall be handed over to representatives deputed by the syndicate, to manage them on their behalf, until principal and interest of the loan are redeemed in full, when the management will revert to the Railway Administration."

On the day on which these terms were embodied in an agreement for signature by the parties (7th June), M. Pavloff, the Russian Chargé d'affaires in Peking, entered a strong protest against the arrangement. He pointed out that the security for the loan, in accordance with the clause above set forth, was a mortgage on the line already constructed and on those to be constructed. That, in the event of default by the mortgagors, the line would come into the possession and control of the mortgagees. In other words, a British controlled line in the Manchurian provinces, which the Russians had in their own minds already marked for their own, was an eventuality which Russia would have to recognise.

M. Pavloff's objections, however, were not in the main based on that ground. A more tenable position was open to him. It will be remembered that at an earlier stage of this chapter reference was made to certain supplementary articles of agreement settling the southern termini of the Chinese Eastern Railway at Talienshan and Port Arthur after the grant of the lease of those places. The third of those supplementary articles contained the following provisions :

"It is further agreed in common that railway privileges in districts traversed by this branch line shall not be given to the subjects of other powers."

Now Hsinminting, as a glance at the map will show, is within a few miles of Mukden, and M. Pavloff's contention was that a mortgage such as was proposed would contravene this agreement, for which he claimed priority over the agreement with the Bank, the former bearing date the 7th of May.

Notwithstanding this protest, however, the agreement was signed on the 15th of June by Hu Yen Mei, to whom the Yamen had referred the Russian objection. His reply had been to refer to the Chinese text of the May agreement, which withdrew in the most precise manner this particular railway from the purview of the Russian Government. He also recalled an explicit promise

given by M. Pavloff in an interview following the lease of Port Arthur, that the extension to Newchwang should be no concern of Russia's, no matter what the nationality of the people employed or where the money to build the line was borrowed.

M. Pavloff's objections continuing, and the conclusion of a definitive contract being, in consequence, considerably delayed, the discussion was transferred from Peking to London and St. Petersburg.

On the 12th of August Mr. Balfour drew M. Lessar's attention to the matter in London, pointing out that the Russian claim was inconsistent with the provisions of the Treaty of Tientsin, which guaranteed equal rights to the people of all nations. The Chargé d'affaires does not appear to have dissented from this view, but met the argument with a proposition of a reciprocal agreement between Great Britain and Russia in regard respectively to Manchuria and the Yangtze Valley region.

A long discussion followed in St. Petersburg between Sir Charles Scott, the British Ambassador, and Count Muravieff on these lines. Meanwhile the Bank showed signs of willingness to undertake the business on the security of a mortgage of the Peking-Shanhaikwan section, and a charge on the profits of the extra-mural section, subject to an assurance being given by the Chinese Government that no part of the lines mentioned in the agreement should be alienated to a foreign power, such assurance to be recognised as an arrangement to be upheld by the British Foreign Office.

At this stage the Russo-Chinese Bank entered the field as a competitor, and, it was alleged, offered terms impossible for any Bank not in receipt of Government support. But on representations being made by Sir Charles Scott to Count Muravieff, M. de Witte, the Minister of Finance, made communications to the Bank, causing them to withdraw from the field.

In October a definitive contract¹ was prepared, and executed by Hu Ta-jen and Mr. Hillier, on behalf of the Corporation, the official seals of the former being affixed on the 11th; on the 27th of November following it received the Imperial sanction.

The terms of the contract as regards the security were in principle those outlined immediately above. Russia had thus gained her point: there was to be no foreign held mortgage on the Shanhaikwan-Newchwang Railway.

¹ Appendix A, No. 2.

Early in February the prospectus of the loan was issued in London. In it was set forth a copy of the agreement, then published for the first time. Immediate objection was taken by the Russians to the sixth clause providing for the appointment of a British engineer and accountant. It was argued that such a provision constituted "foreign control of the line" in the sense of the previous objection.

About the middle of March this objection was withdrawn, but a few days later a fresh difficulty was raised. Count Muravieff suddenly made the alarming discovery that the projected extension ran to Hsinminting. He averred that until this moment he had never heard the name of the place or of the proposal to carry the line there; he had always understood that Yingkow was the only objective, and professed a colossal ignorance of geographical conditions which some have found it difficult to believe of him.

This point, however, was also in due course ceded in return for the formal recognition of the Russian Government's right to support applications by Russian subjects for railway concessions in the south-west parts of Manchuria, and on the understanding that the line to Hsinminting should be built by China herself, subject to the condition of her allowing European—not necessarily British engineers—to inspect the work periodically, to see that it was being properly executed.

Meanwhile Count Muravieff and Sir Charles Scott had come to an understanding in regard to the Yangtze Valley region and Manchuria, and on 28th April 1899 identic notes were exchanged between them setting forth the arrangement; at the same time the understanding in regard to the Shanhaikwan-Hsinminting-Yingkow extension was made the subject of a supplemental note.¹

The terms of the latter understanding have been dwelt upon. The arrangement in regard to the Yangtze Valley region and Manchuria took the form of an engagement by Russia not to seek for herself or on behalf of Russian subjects or others railway concessions in the Yangtze Basin, and not to place obstacles either directly or indirectly in the way of railroad enterprises in that region supported by the British Government; a similar engagement, *mutatis mutandis*, was entered into by Great Britain with regard to railway concessions north of the Great Wall.

¹ Appendix A, No. 5.

On its conclusion the Marquess of Salisbury telegraphed to Sir Charles Scott congratulating him "heartily on the successful issue of these protracted negotiations."

Had the congratulations been addressed to Count Muravieff one could, perhaps, have understood them better, or had the agreement been concluded a year or two earlier, the reason of Lord Salisbury's apparent satisfaction would have been more obvious. As it is, it is a little difficult to appreciate his point of view in face of certain contemporaneous facts which may be marshalled with some advantage at this point in order to show the precise bearing of the new agreement.

Firstly, In August 1898, almost at the moment that M. Lessar was making the first suggestion of the idea to Mr. Balfour in London, a concession to a Franco-Belgian syndicate for a trunk line to Hankow was receiving Imperial sanction in Peking. The scheme had the powerful support of M. Pavloff, the Russian Chargé d'affaires in Peking, despite the protests of Great Britain.

Secondly, The concession for lines emanating from Shanghai—the beginnings of the Yangtze Valley system—had been secured by the British and Chinese Corporation before the conclusion of the agreement.

Thirdly, Two days after the conclusion of the agreement the Russo-Chinese Bank applied for a concession for a railway from a point on the Manchurian Railway north of Mukden to Peking, while

Fourthly, Of the powers interested in China, with the exception of Japan, Great Britain was the only considerable power whose activities were not clearly localised. France was engrossed in the south and Germany in Shantung. America had her hands full with Manila, and at that time, at anyrate, was not likely to take any very strong line in China.

Fifthly and lastly, but by no means least important, the arrangement had an unfortunate effect on the Chinese, by whom it was regarded as tending only to the advancement of Russian aims, and ill-according with the boasted friendship of Great Britain.

It does not require particularly close reasoning to deduce from these facts the conclusion that the arrangement came too late to be of much service to us in the Yangtze Valley, and it would therefore appear that we agreed to tie our hands in Manchuria without receiving adequate consideration in the shape of compensating

advantages elsewhere. The proposal for a railway into Peking from the north, which has been mentioned, frightened the Chinese and fell through. Had the case been otherwise, though the line apart from its political significance would have proved a formidable competitor with the Chinese system, it is difficult to see how Great Britain could have taken action in view of the reservation accepted by the British and Chinese Corporation of Russia's right to acquire concessions in South-West Manchuria.

To return, however, to the extra-mural extension, construction was recommenced in the autumn of 1898, and the railhead reached Hsiaoling Ho, two miles short of Chinchow, in the summer of 1899. After the floods that usually characterise the rainy season had subsided the track was pushed on towards Yingkow, passing Chin-chow about the middle of October. About the same time plate-laying was started at the Yingkow end, and ultimately the rail-heads coupled up some thirty miles out of Yingkow about the middle of February 1900.

From Kaopangtzu the track was then pushed towards Hsin-minting, and had reached a point twenty miles out when the Boxer outbreak occurred, postponing its completion for several years.

Before closing the present chapter, two other events should be recorded that occurred in connection with the railway during the period under consideration.

The first of these was a proposal in 1899 to lay a third rail over the whole northern system, that is to say from Peking to Shanhai-kwan, and thence to Newchwang and Hsinminting. The intention was to lay a rail three and a half inches outside one of the present rails, which would make with the second rail a five-foot gauge line over which the Russians were to have running rights.

The idea was originated in St. Petersburg, and to all appearances seriously considered in London. It received a good deal of support from members of the British and Chinese Corporation, who professed to see in it a solution to the difficulty arising from the antagonism of British and Russian railway interests in Manchuria.

The idea was very differently viewed by those advising the corporation in China, and by the Chinese. Moreover, as the engineers pointed out, the thing was physically impossible, for the heads of the rails when so laid would be less than half an inch apart, an insufficient space for the flange of the wheels of trains on the inner track.

This discovery caused the scheme to be varied, the new suggestion being that the third rail should be laid five feet outside the existing rails. But this could not be done without widening the track and all the bridges, a work practically equivalent to the construction of a new line. Again, difficulties of working a line under a dual national control would have been enormous, especially in this case where the interests of the nations concerned—Chinese and Russians—were for the most part in direct antagonism.

Apart, however, from these very practical objections, the proposal from both the Chinese and British standpoints would have been politically unsound. Had running rights over the line been granted, there can be no doubt that Russian control of the line would only have been a matter of time. On this would have followed a great increase in Russian influence in North China, and possibly, to adopt an oracular phrase that fell from the lips of a Cabinet Minister about this time, the ultimate establishment in Peking of “a voice behind the Throne.” On the undefined possibilities of the situation, as well as the practical difficulties becoming appreciated in London, the scheme was allowed to fall through.

The further point to which allusion has been made was another attempt to displace Mr. Kinder, which also came to a head in 1899.

In the winter of 1898 Hu Yen Mei, the Director General of the railway, was discredited in the eyes of the Court on account of alleged pro-foreign views, and Chang Yen Mao, who was then Director General of the Chinese Engineering and Mining Company, and had been Director of the China Railway Company before its absorption in the Imperial undertaking, was appointed Director General in his stead. This was after the loan with the British and Chinese Corporation had been negotiated through the Hong-kong and Shanghai Bank, and Hu's usefulness had ceased.

With Chang Yen Mao Mr. Kinder was not on very cordial terms, and differences of opinion, the details of which have no particular interest at this distance of time, shortly arose between them.

Thereupon an attempt was made to remove Mr. Kinder, charges of lack of experience and incompetence being anonymously preferred against him.

Ordinarily a contemptible attack of this kind would have passed unnoticed. But these were stirring times of intrigue and

international jealousy, and it is therefore not altogether surprising to find that the matter was taken up in the public press.

In the course of a spirited and entirely gratuitous defence of Mr. Kinder, *Engineering*, a journal of high standing, made the following observations in regard to his career.

" So far from being an amateur, Mr. Kinder had had experience on railways in England, Russia, and Japan before he went to China, and he therefore entered on his duties with a store of knowledge gathered over a wide area. It is admitted that the railways are well constructed ; indeed, with the eminent engineers in this country looking after the interests of the line, and therefore of the British bondholders, it could scarcely be otherwise. As our columns have shown from time to time, Mr. Kinder has not only built the line, but he has constructed locomotives and rolling stock more cheaply than he could buy them, and of a quality that would compare with the best productions of Europe. The mechanical difficulties he encountered were, however, far less embarrassing than those which arose from the habits and prejudices of the Chinese. It is infinitely to his credit that he succeeded, first, in conciliating the people of the district in which he worked ; and, second, in raising their enthusiasm in regard to railways. To do this he had to exercise great tact and infinite patience ; he could not follow Western methods in the way the Russians do in Manchuria, because he had not an army of Cossacks to enforce his will. It was necessary for him to adapt himself to Celestial lines of thought and procedure as far as possible. Nevertheless, the fact remains that the railway has gradually secured the approbation of a people opposed to all innovation, and that even in its infancy it is making satisfactory profits."

It may be safely asserted that this entirely spontaneous verdict would be cordially endorsed by all those acquainted with the railway and the circumstances of its origin and growth. But perhaps the most striking comment on the attack was that of Her late Majesty, who took the opportunity to mark the confidence of the British Government in Mr. Kinder by creating him a Companion of the Order of St. Michael and St. George. A few months later the Boxer troubles effected the removal of Chang Yen Mao from the Director Generalship of the railways.

CHAPTER VII

THE IMPERIAL RAILWAYS OF NORTH CHINA—1900 TO THE PRESENT TIME

THE development of this line has now been traced up to the Boxer outbreak in the summer of 1900; we have now to continue its history from that point to the present time.

Of the Boxer movement somewhat diverse accounts have been given. It originated in Shantung. According to some writers, it was from the day of its birth purely anti-foreign; according to others, it was in its inception anti-dynastic, but at a later stage its forces were diverted by Imperial agencies from their original channel and directed against the foreigner. On the whole, the latter view appears of the two to be the more in harmony with the facts.

We should, however, be exceeding our present limits were we to indulge in any discussion on this head. Whatever its originating motives may have been, the movement was far more anti-foreign than anything else when it burst over North China in June 1900.

The 16th of that month may be taken as the date on which it was brought to a head. There had for some weeks previously been intermittent outbreaks of lawlessness in the province of Chihli, and to the south-west. Stations had been burnt on the Lu-Han Railway then under construction, and French and Belgian engineers accompanied by large parties of missionaries from the interior had been compelled virtually to fight their way to Peking. The staff of the Pekin Syndicate had been forced to leave their post in Honan and work their way down to the Yangtze; the line between Tientsin and Peking had been in places destroyed, while on the 28th of May the station at Fengtai had been burnt.

In consequence of these occurrences a force under Admiral

Seymour had started from Tientsin on the 9th of June for the protection of the legations in Peking.

The 16th of June was a Saturday. The afternoon train left Tientsin for Tongku as usual, and carried a few of the ladies and children from the foreign settlements, where the gravity of the situation was beginning to be realised. This train was the last to leave before Tientsin was besieged. On the night of the same day the Taku Forts were attacked. In view of the disturbed state of the country the allied admirals had demanded their surrender to allow the passage of boats up the river in case of trouble. The Chinese had refused to comply, and early on the morning of Sunday the 17th the forts had fallen, for the third time in history, before foreign powers. On Sunday afternoon the Chinese fired their first shell into the foreign settlements of Tientsin.

The siege of the settlements lasted for one week, the relief arriving on the 25th. The most severe fighting had taken place around the railway station, which itself on the east side of the Pei Ho commands the settlements across the river. On the 18th the station had been occupied by a force of Russians, and held by them with occasional support from British marines and others throughout the attack, thus preventing the Chinese from mounting their guns on the station platforms and pouring shell into the settlements at short range on perhaps their most vulnerable side.

On the day on which the Russians occupied the station they also seized the railway offices, which were burnt a few days later. On examination of the premises, however, it was found that beyond doubt the safes had been burst open previously to the fire, and everything had been either removed or destroyed.¹

On the relief of the foreign settlements the native city was attacked by the allied forces, and the repairs to the line between Tientsin and Tongku undertaken by the engineers of the allies ; the greater portion of the damage being found on the Tientsin-Chung-liangcheng section, the line below the latter point having been practically undisturbed.

A few days later, however, a body of Russian military engineers arrived from Port Arthur under Colonel Keller, Administrator of the Ussuri Railway, and by the 8th of July had begun tacitly to assume charge of the line. To this proceeding, as soon as it was noticed, some objection was taken, but on the 16th of July the control of the

¹ *Blue Book*, China, No. 7, of 1901, Inclosure 2 in No. 21.

Tongku-Tientsin section was formally vested in the Russians by the Council of the allied admirals, the British and American representatives alone dissenting.¹

Meanwhile, on the 14th, the native city of Tientsin had fallen into the hands of the allies, and preparations were now made to push on to Peking. The relief force of 20,000 men of all nations started from Tientsin on the 4th of August. On the 6th they occupied the ruins of the railway station at Yangtsun after a four hours' fight. Two days later the march was resumed, and after fighting at Hohsiwu² and Tungchow the force arrived outside the walls of Peking on the evening of the 13th. During the night of the 14th the city gates were forced, and the legations, after more than seven weeks' siege, were relieved.

In the train of the relief force the Russian railway engineers had pushed on to Yangtsun, and on the 9th of August assumed control of the Tientsin-Yangtsun section. Pursuing these tactics, they arrived on the 18th of September in the neighbourhood of Fengtai, which was found to have been previously occupied by a British force. The position soon became somewhat strained.

In September the British and Chinese Corporation estimated the damages to the Yangtsun-Peking section as requiring six months to repair, and they urged the British Government to secure the reinstatement of Mr. Kinder and his staff, who were available on the spot, and in a position from their knowledge of local conditions to carry out the work more expeditiously and effectively than military engineers. It was suggested that the British Government should guarantee the protection of the line, and undertake to include the expenditure in the general indemnity recoverable from the Chinese Government at the conclusion of hostilities.

Lord Salisbury, however, was unable to give any such undertaking, and informed the Corporation that efforts were being made to secure the creation of an international control over the railway.

The pressure was relieved on the 4th of October by Field-Marshall Count von Waldersee, the Commander-in-chief of the

¹ It is understood that the Japanese Admiral desired to support his British and American colleagues, but owing to a mistake in the course of interpretation gave his assent to the Russian proposition.

² Hohsiwu is rapidly becoming an historic field. Lord Elgin's force fought a battle there in 1860.

Allies, who proposed to give the Russians control of the line from Shanhaikwan to Yangtsun, and arrange for the Yangtsun-Peking section to be repaired and operated by the German military engineers assisted by engineers of the other powers. Finally, a convention was concluded between himself and the Russian General commanding on these lines, effect being given thereto in an Army Order issued on the 18th of October.

It has been generally recognised that Count von Waldersee's action was dictated by the necessities of the moment. It must be remembered that the Russians were already in armed occupation of the whole length of line now formally assigned to their control. While the Fengtai position was under discussion they had not been idle beyond Tongku. On the 30th of September Shanhaikwan was occupied, by the order of the Commander-in-chief, by a British officer and eighteen men, and the British flag hoisted. But on the 2nd of October a large Russian force arrived by sea, and along the line from Tongshan, and claimed the line from Tongku to Newchwang by right of conquest. The Chinese Engineering and Mining Company's property at Tongshan had been previously occupied, and steps were now taken to render the occupation of the line thoroughly effective.

Count von Waldersee's army order of the 18th of October, however, evoked such strong representations through the British Ambassadors at St. Petersburg and Berlin that, conscious of the internal weakness of their position, the Russians shortly found it expedient to consider the question of removing themselves beyond the Great Wall. Discussion ensued as to the terms on which the proposed evacuation should take place, and it was finally agreed that the Germans should in the first instance take over from the Russians, and subsequently surrender the control to the British authorities, a convention being signed on the 17th of January 1901 between Colonel von Schwartzhoff, the German Chief of Staff, and Colonel Keller. A few days later the transfer took place, and the Russians retired into Manchuria, taking with them two-fifths of the rolling stock on the entire railway, in accordance with the sixth clause of the agreement, and practically clearing out the bridge works at Shanhaikwan, some of the materials from which were, according to current reports, shipped to Port Arthur.¹

On the 21st of February the British Military authorities com-

¹ *Blue Book*, No. 7 of 1901, No. 101.

menced to take over the Peking-Shanhaikwan section in accordance with the arrangement made with the Commander-in-chief, and embodied in an agreement signed by Colonel von Schwartzhoff and General Barrow a few days previously. The handing over was completed on the 27th of February, Lieutenant-Colonel MacDonald, R.E., becoming Director of Railways.

The first incident of importance arising under the new administration was what is known as the Tientsin siding dispute. On the previous 6th of November the Russians had annexed by alleged right of conquest a strip of land on the east bank of the river at Tientsin, immediately opposite the British Settlement, in this area being included the railway station and two and a half miles of river frontage.

A note in this sense was circulated by the Russian Consul among his colleagues in Tientsin. Mr. C. W. Campbell, C.M.G., the British Acting Consul General acknowledged it, reserving all British rights, and subsequently on instructions of the Minister he informed the Russian Consul that Her Majesty's Government could only consider the Russian action of a temporary character. On the matter becoming known to the public the British Municipal Council at Tientsin entered a strong protest. Up to this time the foreign settlements had all been on the west side of the river, the desirability of keeping the east bank for the present undeveloped being generally recognised. The river at that point was already much too narrow for the traffic incidental to the use of the British Bund and wharves, and if the intention was, as must be assumed to be the case, to utilise the east bank for the landing of river-borne cargo, the result could not but be disastrous. Again, the area annexed had derived its value almost entirely from its proximity to the British Settlement, so that "if the time had come for the territory in question to pass under foreign control, the Municipality had without doubt the strongest claim to its acquisition."¹

In selecting sites for concessions, the Germans and Japanese had recognised the British claim to consideration in this connection, a claim that was greatly enhanced by the fact that a considerable loan for the improvement of the river had been guaranteed in the common interest by the British Municipality alone, justifying every effort being made to preserve their revenue and facilitate the improvement of the river.

¹ *Blue Book*, No 7 of 1901. Inclosure 2 in No. 123.

It was not, of course, suggested that the Russians were not entitled to acquire a settlement at Tientsin ; the objection was to the site that had been selected.

The Russian authorities, however, did not see their way to vacate the very valuable area they had occupied, and to silence objectors steps were taken to legalise the proceeding, an agreement being concluded on the 31st of December 1900 between M. de Giers and Li Hung Chang, formally conceding the territory in question.

Such being the position as regards the land east of the river, it was not long before a dispute arose between the Russian authorities and the British Railway Administration.

Early in March the latter commenced to construct a siding which was somewhat urgently required on land supposed to be the property of the railway, and as such included in the mortgage securing the loan by the British and Chinese Corporation. The Russians, however, disputed the title to the land in question, and claimed it as part of their recently acquired concession. On the 15th of March, by way of protest and to prevent the continuation of the work, Russian sentries were placed across the siding. In reply and to prevent any encroachment, General Lorne Campbell, the officer in command of the British troops in Tientsin at the time, promptly posted sentries at the point to which the work had proceeded. In a very short space the position became acute, and at times a collision seemed inevitable owing to the provocative attitude of the Russian troops from the outset, while at a later stage an alleged affront by British troops to the Russian flag nearly became the signal for a conflagration.

On the 19th of March the Russians commenced to construct a road along the river bank which it was seen would on the following day interfere with the beat of the British sentries. The attention of General Wogack, the Russian officer in command at Tientsin, was drawn to this, and the strength of the British garrison increased by a force of Australians from Peking and marines from Taku. The construction of the road ceased before reaching the critical point.

Two days later (21st March) it was arranged that a simultaneous withdrawal of sentries should take place at 5 a.m. the next morning, leaving the matter for settlement in the hands of the two Governments. This was done, but, as soon as the British

had withdrawn, the Russians returned and recommenced work, continuing their road through the disputed area, on which they saw fit to plant fresh flags. It was not till the 4th of April that they could be induced to comply with the arrangement that had been come to.

During the progress of this incident the British Railway Administration had been busily engaged reorganising the railway and repairing the line. By arrangement with the military authorities Mr. Kinder had collected several of his old staff, who became attached for the time being to the new administration. Mr. Kinder himself accepted the position of Engineer-in-chief, but subsequently, owing to disagreement with the military authorities, he resigned the position to Mr. Cox, and became Consulting Engineer pending the restoration of the railway to the Chinese.

This event took place rather more than a year later, on the 29th of September 1902. The protocol had been signed on the 7th of September 1901, and in the following January the Court had returned to Peking from its temporary exile at Hsianfu. Rather more than a month previously, the 15th of August 1902, the Provisional Government over Tientsin native city and district, which had been constituted by the allied Powers on the capture of the city in 1900, had surrendered their powers to Yuan Shih Kai, the newly appointed Viceroy of Chihli, and it was certainly time for the military control of the railway to cease. It is probable that it would have been determined earlier, but that the British action inside the wall was dependent on the Russian action beyond, the principle involved being, of course, that the whole length of line or none of it must be restored to the Chinese. It was only when the Russians saw that the British Government were determined to uphold that principle that they consented to move.

A British military railway in the province of Chihli was obviously the last thing likely to accord with Russian aims; and so, after a struggle that had been waged without intermission since the stormy days of 1900 to secure the right to retain control of the Shanhakwan-Newchwang section, it was agreed that the line should be restored to its rightful owners. The actual ceremony of handing over took place on the 8th of October 1902, when the Russians retired to the east of the Liao River.

There can be no reasonable doubt that they regarded the

Boxer outbreak as a heaven-sent opportunity for the furtherance of Russian policy. The intention was to dominate as much of North China as the other Powers would permit. As a means to an end they had aimed from the commencement of hostilities at the control of the railway to Peking, and it was therefore with the greatest unwillingness that they thus took a second step backward from their objective.

The achievements of these two military administrations, and the effect of their respective occupations, have next to be noticed.

Taking the British record first, we find that during the period in which the military authorities controlled the section between Peking and Shanhakwan the permanent way was put into a thorough state of repair, and the line on the whole well and economically managed. The profits were carefully husbanded, with the result that interest on the loan was paid from the commencement of their occupation, and arrears which had accumulated were in due course wiped off. Furthermore, on the termination of their occupation, a handsome cash balance and a considerable amount of stores were handed over to the Chinese administration. Lastly, while maintaining the permanent way, the rolling stock was not neglected, goods trucks and passenger cars being turned out of the Tongshan shops as required.

During this period the railway commenced for the first time to carry tribute rice to Peking. Previously it had come to Tongku, and been there transhipped and carried by river to Tungchow. The "leakage" by this latter method of transport had been enormous, and consequently the saving effected to the Imperial Government has been proportionately large. The result, however, has been to kill Tungchow, which had become practically dependent on the grain trade, and to-day vast granaries, empty and decaying, are the only remaining witnesses of a prosperous past.

The British Railway Administration was also responsible for two extensions. The first of these, which was first discussed and had been virtually decided upon before the Boxer outbreak, consisted in a branch to Tungchow. The length of the line was twelve miles, and it was constructed (exclusive of rolling stock) at a total cost of £30,000. A more notable extension, however, was that of the main line itself, the terminus of which was removed from Machiapu, outside the Chinese city wall, to the wall of the Tartar city in the neighbourhood of the foreign lega-

tions. At the same time the Water Gate was enlarged and a good road made, so that, instead of being three miles distant, the Peking station is now within a few minutes' walk of all the legations. It is probable, indeed almost certain, that such an extension as this could never have been constructed except by a foreign military administration in time of war; and though the prolonged occupation and some of the proceedings of the administration have been somewhat severely criticised, it must be conceded that, on the whole, neither the Chinese railway authorities nor any other of the parties interested have cause to regret the period of British military control that preceded the rendition of the line.

The Russian record outside the Great Wall, on the other hand, scarcely affords the same subject for congratulation. When the Imperial Chinese railway engineers resumed control, it was found that the maintenance of the permanent way and rolling-stock had been almost entirely neglected, and though uncompleted bridges had been finished, the work was of such a kind that the greater portion had very shortly to be done again. It is true that extensive buildings were erected at Yingkow and other places, but most of these were structures of a purely temporary nature.

The Russian administration also compared unfavourably with the British in other respects. In particular, on the termination of the occupation, a large indemnity was demanded from the Chinese in return for services in protecting the line and in payment of expenses alleged to have been incurred, although there seems to be no doubt that the revenue more than paid the running expenses, while repairs and construction work were, as has been already remarked, practically at a standstill throughout the occupation.

To return, however, to the history of the railway. Since its restoration to the Chinese the construction of the line to Hsin-minting, which prior to the Boxer outbreak had been carried some twenty miles beyond Koupangtzu, has been completed, thus opening up to trade the district to the west of the Liao River. This work was commenced in the spring and finished in the autumn of 1903. A short line, some thirty miles in length, from Kaopetien, a small station on the Ching-Han line, to Hsiling, has also been built, its construction being rather rapidly accomplished in the winter of 1902 to meet the convenience of the Court when making their spring pilgrimage to the Imperial Western Tombs. The cost of

this branch was borne by the Board of Revenue, who will also bear any excess of expenses over revenue in connection with its maintenance. It is operated, however, by the Railway Administration.

Besides these extensions, the bridge over the Taling Ho, on the section between Chinchow and Kaopangtzu, which had been commenced in the winter of 1899, was completed and opened to traffic early in 1904. It consists of "twenty-six spans, each 100 feet in the clear, giving a bridge 2762½ feet in length between the abutments—the longest bridge on the system. All the piers, and the west abutment pier, are founded on caissons sunk to an average depth of 45½ feet below water level by the pneumatic process, but the east abutment is founded directly on a rock spur which rises above the riverbed."¹

Another girder bridge on masonry piers, which has been under construction during the past year, is that over the Pehtang River at Hanku, designed to replace the wooden structure built by the German military engineers after the Boxer troubles, when the original bridge constructed under Mr. Kinder's supervision in 1887 was destroyed. With the completion of the line to Hsin-minting and the extension to Tungchow the railway has a total length of 588 miles, exclusive of sidings, constructed at a capital cost including rolling stock of approximately \$47,000,000, or at the rate of £8000 a mile. It is throughout a well-found single track of standard gauge (4 feet 8½ inches), the results of the double track between Tientsin and Peking, which existed prior to the Boxer troubles, not justifying its reconstruction. The rails in use upon the system weigh 60 pounds to the yard, except on the Peking-Tongku and Tongku-Tongshan sections, where a heavier rail (85 pounds) has been adopted.

The shops at Tongshan, to which passing reference has already been made, are finely equipped, and turn out first-class rolling stock. Latterly, however, notwithstanding a considerable output, they have failed to keep pace with the demands that have been made upon them owing to the development of the line.

This has been phenomenally rapid. Between September 1902, when the Imperial Chinese Administration resumed control, and

¹ *Railway Construction in North China*, by Edward Hulme Rigby, B.Sc., and William Orr Leitch, Jun., Assoc.M.M.Inst.C.E. "Minutes of Proceedings of the Institute of Civil Engineers," vol. clx.

September 1903, the nett earnings approximated to 5 per cent. on the capital cost. In the following year they were rather in excess of 7 per cent., while for the twelve months between September 1904 and September 1905, they exceeded the magnificent figure of 20 per cent.

This last figure, of course, was due in a measure to the Russo-Japanese War, but by no means entirely so, for in the first place the commercial development of North China is steadily proceeding, and in the second place the effect of the recent traffic with Hsinminting has undoubtedly been to open up that district and demonstrate the value of cheap and rapid transport.

The annexed table is designed to show the earning capacity of the railway. It will be noticed that a distinction has been drawn between the balance of revenue after paying the charges on the loan, and the balance of revenue after allowance for interest on the capital expended by the Chinese Government prior to 1899. This has been done in order to show the soundness of the bondholders' security.

It should be further remarked in this latter connection that under the letter of the loan agreement the Chinese Government were unable until quite recently to draw any profits, all of which had to be paid into the Hongkong and Shanghai Bank to meet the service of the loan. This embargo, to which a further reference will shortly be made, was partially removed in 1905, but in the meantime the Government profits for some years had been capitalised to the extent of nearly two million dollars, and spent in extensions and betterments to the line.

On account of this rapid increase of profits it was proposed, in the early part of 1905, to construct the long-contemplated railway to Kalgan, on the confines of Mongolia, just inside the more northerly branch of the Great Wall. The idea was to employ the surplus earnings of the line for this purpose, but some initial difficulty was caused by the attitude of the British and Chinese Corporation, as representing the bondholders in the railway loan. The fifth clause in the contract provides that all profits shall be paid into the Tientsin branch of the Hongkong and Shanghai Banking Corporation to meet the requirements of the loan. The enormous increase of profits, however, rendered such a provision not only unnecessary for the security of the bondholders, but unfair to the railway, and inimical to expansion. Fortunately, a

YEAR ENDING 30TH SEPTEMBER.

	1903.	1904.	1905.	1906.
<i>Inside the Wall—</i>				
Revenue derived from passenger traffic	1,572,090.90	1,594,322.39	2,464,964.31	2,854,385.28
", goods traffic	1,603,988.87	1,659,675.76	3,323,993.60	3,440,069.09
", carriage of coal	402,626.41	593,318.49	630,738.55	721,879.22
<i>Outside the Wall—</i>				
Revenue derived from passenger traffic	645,497.06	1,033,950.05	2,671,806.35	2,901,442.73
", goods traffic	275,396.46	759,954.73	3,464,188.22	1,956,082.96
Total revenue for the whole line from all sources	4,658,235.02	5,946,518.65	12,943,383.88	12,191,188.81
Nett revenue after payment of maintenance and running expenses	2,342,650.65	3,403,933.48	10,029,281.83	8,761,246.13
Balance of nett revenue after payment of interest on the 1899 gold loan (£2,300,000)	937,132.56	2,147,370.81	8,152,433.85	7,013,238.27
Balance of nett revenue after allowing for interest at the rate of 5 per cent. on the bonds held by the Chinese Government representing the capital expenditure of the line prior to 1899	Dr. 81,367.44	C/r. 1,128,870.81	7,133,933.85 ¹	5,944,738.27 ²
Earning capacity of the line expressed as the rate of interest returned on the capital value, which stands at \$47,970,000.00, say	. . .	7 per cent.	20 $\frac{1}{4}$ per cent.	18 $\frac{1}{4}$ per cent.

¹ In addition to interest on the loan the first instalment, amounting to \$690,000, was repaid.² Including second instalment (\$690,000), which was repaid.

compromise was ultimately arrived at by which a balance is always to be maintained in the bank sufficient to serve the loan for a period of twelve months, any excess funds being at the disposal of the railway directors, who were thus enabled to make their arrangements for the extension.

With these matters satisfactorily adjusted, the work was commenced with the least possible delay. Tenders were called for, surveys undertaken, and Mr. Jeme Tien Yow, a Chinese engineer educated in America, was appointed Engineer-in-chief, the authorities being of opinion that the work could be satisfactorily accomplished without the assistance of foreign engineers.

Starting from Fengtai, where it connects with the Peking-Shanhaikwan railway, the line proceeds, leaving Peking to the east, to the Nankou Pass, in the neighbourhood of the Ming Tombs. This section, about 33 miles in length,¹ and traversing easy country, was completed in the autumn of last year, being formally opened to traffic on the 30th of September 1906.

From Nankou the line is under construction, by way of Suan-hua, to Kalgan. But at this point considerable engineering difficulties arise. For 12 miles, including the Nankou Pass itself, the country is very difficult, and necessitates the construction of four tunnels aggregating 4894 feet, or rather less than a mile, and severe gradients as the line approaches the pass on either side. These gradients might have been considerably modified by increasing the length of the tunnels, and it would appear that the cost, and the time employed in the construction, of longer tunnels would have been justified by ensuring more economical working of the line.

The somewhat false notions of economy characteristic of the Chinese, however, were allowed to prevail, and the tunnel work has now been undertaken on the above lines. When completed, which, in accordance with the anticipations of Mr. Jeme Tien Yow, should be in the autumn of 1909, the line though connecting with the Peking-Shanhaikwan line at Fengtai, as already noted, will not, according to present ideas, become part of the parent line, but will remain under a separate administration.

The reason assigned for this decision is an alleged understanding with Russia that China shall not permit this particular railway

¹ The whole line will be some 125 miles in length. The estimated cost, including rolling-stock, is 6,000,000 taels, equal to between £6000 and £7000 a mile.

to be subjected to foreign control. But assuming this to be, as possibly is, the case, it is difficult to follow the argument. In the first place, there is nothing in the loan agreement that could be interpreted as bringing such a railway within the scope of the mortgage provisions; and, secondly, the employment of foreign engineers does not involve foreign control, as the Chinese administration of the Imperial Railways of North China abundantly goes to prove. An explanation, therefore, must be sought in other directions. More probably it should be regarded as a sign of the times, and be ascribed to the incipient desire of the Chinese to build their own railways and to employ their own engineers, many of whom are talented men, trained in foreign schools.

On the other hand, some hold the view that the attitude of the British and Chinese Corporation in taking their stand on the strict letter of the loan agreement is responsible for the present development. It is urged that a less strict bearing at the outset would in all likelihood have resulted in some arrangement whereby the line would have been built by British engineers, as a branch of the existing northern system; and that at the same time some condition might perhaps have been imposed ear-marking the funds intended for the construction of the line, which would have been distinctly advantageous to the railway administration, as preventing all possibility of the funds thus liberated being diverted from their destination.

There is possibly some ground for this contention, for if the abstract notion of a trust is not entirely alien to Chinese ideas, at anyrate the strictness of the English method of its application is not readily appreciated. Hence, perhaps, arose a misunderstanding of the Corporation's obligations, as the issuers of a loan on a prospectus in which was embodied the main provision of the clause in the agreement with the Director General, Hu Yen Mei, requiring the payment of all receipts and earnings into the Hong-kong and Shanghai Banking Corporation.

But to return, the effect of this line will be to open up the country to the north of Peking, and greatly to cheapen as well as to expedite the transit of goods from the interior to Tientsin. Kalgan is at the junction of the great caravan routes from the west and from the north, by way of which the great bulk of wool and skins from Mongolia and the distant province of Kansuh, which form the more valuable portion of the export cargo from Tientsin,

find their way to the foreign market. There should therefore be little doubt as to the earning capacity of the railway.

As regards the question of the ultimate continuation of the Kalgan line across Mongolia, opinions seem to differ. Some years ago the Russians had a scheme for a branch from the Trans-Siberian Railway, by way of Urga and Kalgan, to Peking. A flying survey was made at the time, and it was found that virtually the only engineering difficulties would be experienced in the crossing of the Yablonoi Mountains, north of Urga.

The scheme, however, has now apparently been abandoned. And it must be admitted that though such a line might, in certain circumstances, be politically justifiable, according to the point of view, and while its construction would be warmly welcomed by residents in the Far East, whom it would bring so many days nearer home, it is difficult to see how it could be made to justify its existence as a purely commercial undertaking. At anyrate, it is one of those projects the realisation of which will only come, if at all, with the distant future.

More immediate developments, on the other hand, may be looked for at the Hsinminting end of the Northern Railway. An extension to Fakumen has long been spoken of. This place was originally one of the gates in the palisade which, constructed during the Ming dynasty to keep back the Mongol hordes, stretched from the Great Wall of China, north-east across the Sungari, and some 60 or 70 miles beyond. By virtue of its position, Fakumen has become a place of some importance, and the most favourable point at which to tap the trade route southwards. An alternative project is to continue the line past Fakumen to tap the rich grain districts further north.

But extensions in this direction will probably be postponed for a time in favour of the perfection of the connection between Hsinminting and Mukden. This was effected during the recent war by the Japanese military authorities, who constructed a $3\frac{1}{2}$ gauge railway between these two places, which has now been taken over by the Imperial Railway administration.

An agreement¹ in this regard was recently come to (April 15, 1907) between Mr. Hayashi, Japanese Minister at Peking, and the Wai-wu-pu, or Board of Foreign Affairs. In accordance with its provisions, the sum of gold yen 1,660,000 has to be paid

¹ Appendix A, No. 6.

to Japan, but a considerable portion of this sum, representing half the cost of the section east of the Liao River, is to remain on loan for a period of eighteen years. The line and its earnings are security for the loan, and during its currency a Japanese engineer-in-chief and a Japanese accountant are to be employed on the railway, following the precedent of the loan agreement with the British and Chinese Corporation in 1898.

At present the line is not actually connected with the Northern System, but in due course the gauge will doubtless be altered to the English standard in conformity therewith, and a junction effected.¹

Meanwhile the observation may be ventured that, strictly speaking, the spirit of the arrangement constitutes an infringement of the rights of the British and Chinese Corporation under the loan agreement of 1898, which provides that in the event of the railway funds being insufficient for the construction of branches and extensions, application shall be made to the Corporation therefor. In other words, though the letter of the agreement cannot perhaps be attacked, if the Chinese are to make the most of their acquisition they must constitute it a branch or extension of the Imperial Northern System, whereby, in view of the loan from Japan, they will violate their prior obligations under the agreement of 1898.

From the Japanese point of view it is, of course, an exceedingly ingenious arrangement. They retain a substantial interest for an extended period in an important connecting link of railway, which may at any time become politically useful. Once more the Chinese are placed, or they have allowed themselves to be placed, in a position that is at least theoretically untenable. While Britishers are left to envy the astuteness of their allies, and to reflect sadly on their unsympathetic disregard of British interests.

¹ *Vide* remarks on gauge in Manchuria, *post* p. 82.

CHAPTER VIII

THE CHINESE EASTERN RAILWAY—1900 TO THE PRESENT TIME

THE Boxer movement of 1900 did not confine itself to North China, but spread through Manchuria, leaving its mark on the Chinese Eastern Railway, much of the track of which was destroyed. Incidentally, the local Chinese military authorities declared war on Russia. It was not long, however, before the Russian repressive measures, carried out in some places with more than mediæval rigour, restored sufficient order to enable the railway engineers to commence repairing the damage and to continue the construction of the line.

Of the various sections the southern, that is to say, the section between Harbin and Port Arthur, had suffered most, and a considerable amount of reconstruction was found necessary. But this proved by no means an unmixed evil, at least from the Russian point of view. In the first place, it made it possible, at the expense of the Chinese Government, to straighten up the alignment of the railway and bring it within a reasonable distance of Mukden and other important towns, which under the earlier conditions—now disregarded with impunity—it had been compelled to avoid; while, secondly, it was an opportunity for effecting improvements to the permanent way.

The work having been resumed, it was pushed forward with the utmost despatch, with the result that the last rail was laid in Manchuria, thereby completing the through track from European Russia across Siberia to Vladivostock and Port Arthur, on the 3rd of November 1901, just ten years after the commencement of the enterprise.

Thus was successfully accomplished a scheme which, for sheer magnitude and boldness of conception, is perhaps without a parallel. Only when one has travelled day after day through the

thousands of miles of virgin forests and sparsely inhabited country, crossing three great mountain ranges and the mighty rivers of Siberia, can something of the grandeur of the enterprise be realised. While on the political side, with a skill and persistency from which it is as impossible to withhold admiration, as it is difficult to give it adequate expression, removing one by one the obstacles that beset their path, Russia's statesmen had unswervingly pursued their country's policy, and seemed to be on the eve of the realisation of one of her most cherished ambitions. For the world in general, all save the prescient few, had failed, even as the Russians themselves, to estimate the forces that were arrayed against them.

The event was announced to the Czar by M. de Witte in the following terms :

"On 19th May 1891 your Majesty, at Vladivostock, turned with your own hand the first sod of the great Siberian Railway. To-day, on the anniversary of your accession to the throne, the East Asiatic Railway line is completed. I venture to express to your Majesty, from the bottom of my heart, my loyal congratulations on this historic event. With the laying of the rails for a distance of 2400 versts, from the Transbaikal territory to Vladivostock and Port Arthur, our enterprise in Manchuria is practically, though not entirely, concluded. Notwithstanding exceptionally difficult conditions, and the destruction of a large portion of the line last year, temporary traffic can, from day to day, be carried on along the whole system. I hope that within two years hence all the remaining work to be done will be completed, and that the railway will be opened for permanent regular traffic."¹

In English measure the length of the western and eastern sections of the Manchurian railway amounted together to 950 miles, and the southern section to 646 miles, making a grand total of 1596 miles. The gauge, until recently, was the Russian standard (5 feet) throughout.

According to expert opinion, the line was on the whole well built, some of the bridges undoubtedly representing fine pieces of engineering, notably that which spans the Sungari near Harbin, on steel girders and granite piers.

After the completion of the through track but little occurred

¹ M. de Witte has not been disappointed in this connection. Despite the forecasts of adverse critics the line supported a heavy war service admirably for a period of eighteen months, coping successfully with the demands of the large Russian army in Manchuria.

prior to the autumn of 1905, that is worthy of record, the energies of the Russians having been directed mainly to the solidification of their position strategically in the country. It is to be noted, however, that in the two years that elapsed before the outbreak of the Russo-Japanese War the traffic arrangements were steadily improved as regards passengers, who during 1903 were able to travel with every comfort to Europe; facilities for the carriage of goods, on the other hand, were much neglected. The railway officials, engrossed with the strategic aspect of the railway, seem to have disregarded its commercial possibilities. During the period (Nov. 1901 to Feb. 1904) that the whole line was in commercial operation under the Russian régime, no serious attempt was made to study the prevailing conditions of trade and of trade routes in Manchuria, or to examine the system and cost of transport in the country. The result was the imposition of prohibitive rates which left the native system of carriage by cart and river unimpaired. In other words, the railway had thus far done nothing to foster trade, although the western and eastern sections pass through a line of country that promises at least reasonable returns on any well-managed line that serves it, while the prospects for the southern section are such as other railways have seldom if ever enjoyed.

Under Japanese auspices, the story as regards the southern section, now known as the Southern Manchurian Railway, is likely to be a different one—an observation that brings us to the recent history of Manchuria, with which it is now desirable to proceed.

On the 8th of February 1904, the Russo-Japanese War broke out, in the course of which the Japanese secured control of the southern section of the line to a point a few miles north of Mukden. Meanwhile, on the 1st of January 1905, Port Arthur had fallen, for the second time in history, before Japanese arms.

By the terms of the Treaty of Peace, concluded at Portsmouth, U.S.A., on the 29th of August 1905, it was arranged *inter alia*, and subject to the consent of the Imperial Chinese Government, that the Japanese should take over the line up to Kwangchengtze, a point approximately midway between Mukden and Harbin, together with all rights connected with the railway. At the same time, Port Arthur and Dalny, originally Talienwan, and now rechristened by the Japanese Tairen, and all rights under the lease of the Liaotung peninsula, were assigned to Japan by Russia.

In due course these arrangements received the necessary confirmation at the hands of the Chinese Government, Baron Komura negotiating a convention to that end at Peking in December 1905, in accordance with the further provisions of which Japan also secured from China, firstly, the right to construct a branch line from Mukden to Antung, on the north bank of the Yalu River, designed to connect with the Corean trunk railway at the terminus of Wiju, on the opposite side of the river; and, secondly, the right to participate in the construction of a second branch further north, between Kwangchengtze and Kirin.

The Antung-Mukden line is to be constructed and operated by Japan for a period of eighteen years, calculated from the 22nd of December 1905. On the expiration of this period the Imperial Chinese Government have the right to acquire the line at a price to be settled by arbitration.

The conditions of the Kwangchengtze-Kirin branch, on the other hand, are as nearly as possible identical with those prevailing in regard to the connection between Hsinminting and Mukden, the two railways being dealt with in an agreement, to which reference has already been made,¹ which is supplemental to the Convention above referred to. In this case only half the capital is to be supplied by Japan, and the period during which the loan is to run is twenty-five years. The loan is to be secured on the line and its earnings, as in the case of the Imperial Railways of North China, and during its currency the positions of engineer-in-chief and accountant respectively are to be filled by Japanese.²

These points having been settled, at least in principle, by the Convention of December 1905, the next step was the promotion of the South Manchurian Railway Company, with a capital of 200,000,000 yen, or about £20,000,000, to take over and develop the various enterprises. This has now been done, arrangements having been concluded in June 1906, whereby fully paid-up shares in the Company to the extent of half the capital were allotted

¹ Appendix A, No. 6; see also *ante*, p. 74.

² It is of interest to note the distinction between these two sets of rights. In the former case, the Antung-Mukden Railway rights constitute a concession in the fullest sense of that term, the sole control, interest, and benefit being vested absolutely, during the period for which the concession runs, in the concessionaires. In respect of the Kirin-Kwangchengtze branch, on the other hand, the right theoretically is merely to finance in part. Yet both, in common parlance, are covered by the comprehensive term "concession." See also *post*, p. 93.

to the Japanese Government in consideration of the valuable railway and mineral rights assigned.

Two further points must now be noted. In the first place, the Russian 5' gauge on the southern section was reduced to 3½' during the war, to enable the Japanese military engineers to operate the line with rolling-stock from Japan, where the railways are all constructed either on the 3½' or 2½' model. Secondly, during the same period, a light railway between Antung and Mukden was hurriedly constructed for military purposes.

Thus, to take a comprehensive view of the present stage of railway development in Manchuria, we find the following state of affairs :

Firstly, the eastern and western sections of the original Chinese Eastern Railway, and the southern section as far as Kwangchengtze, in all a distance of 1088 miles, remains under Russian control, retaining, of course, the Russian 5' gauge.

Secondly, the greater portion of the southern section of the Chinese Eastern Railway, between Kwangchengtze and Port Arthur, henceforth to be known as the Southern Manchurian Railway, a distance of 508 miles, is under Japanese control on the 3½' model.

Thirdly, we have South-West Manchuria served by the Imperial Railways of North China, beyond the Great Wall up to Koupangtzu, and thence where it forks to Hsinminting and Yingkow, approximately 300 miles, of standard gauge (4' 8½").

Fourthly, the important connecting link between Hsinminting and Mukden, under Chinese control, is the Japanese 3½' gauge.

Fifthly, the present line between Mukden and Antung, 128 miles in length, is a Decauville light railway of 2½' gauge.

While lastly, the Corean trunk, 600 miles in length, between which and the Antung-Mukden line a connection will some day be made, is of standard gauge (4' 8½").

The problem that set itself for solution, however, was not so complicated as might at first sight appear.

North of Kwangchengtze the gauge must of course remain at 5', in conformity with the Trans-Siberian Railroad. The question was thus limited to the gauge to be adopted south of that point.

It presented itself for consideration from three points of view—the commercial, the administrative, and the strategic, for, however strenuous protestations of pacific intentions may be, it is unusual for the strategic aspect of things to be overlooked.

The adoption of the narrow Japanese gauge, for obvious reasons, was out of the question. Apart from its inadequacy in regard to modern transport requirements, it would be too absurd, except for some very good reason, to perpetuate three different gauges in the same country.

In these circumstances, the problem was reduced to two alternative propositions: either to retain the Russian gauge between Kwangchengtze and Port Arthur, and to continue it between Kwangchengtze and Kirin and Antung and Mukden, in which case the connecting link between Hsinminting and Mukden might be of either gauge as convenience might dictate, or to adopt the English standard throughout Manchuria south of Kwangchengtze.

From the point of view of through traffic to Dalny, the former of these propositions is the more attractive. From the point of view of local traffic, on the other hand, the latter, in view of probable future developments, seems the more sound, as, when a method of crossing the Yalu River by bridge or otherwise has been devised, it will mean a uniform system throughout Corea and Southern Manchuria in direct connection with the system of China Proper, with Kwangchengtze as the point of departure for the transcontinental journey.

The balance in favour of either of these propositions is not perhaps considerable, but, on the whole, the adoption of the English standard south of Kwangchengtze would appear the more commercially sound. The strategic aspect of the matter and the conveniences of administration support the same view.

Through traffic to Dalny would involve the acquisition by the Russians of some sort of running rights over the Japanese section of the line, which would tend to produce friction, whereas a change of gauge at Kwangchengtze would form a clear-cut division between the two administrations; while, strategically speaking, the conclusion may be ventured, that at least from the Japanese point of view, a uniform system throughout Corea and Southern Man-

churia would have more points to recommend it than a system involving two changes of gauge.

But, however this may be from a purely theoretic standpoint, the Japanese, after duly debating the matter, have decided on the adoption of the standard gauge for Southern Manchuria. Accordingly, the line between Kwangchengtze and Port Arthur is to be immediately converted, and a section between Dalny and Suchatun, a distance of 236 miles, made a double track. Similarly, the light railway between Antung and Mukden is to be replaced by a standard line.

To provide the necessary funds for these works,¹ including the cost of new rolling-stock and improvements generally, a loan of £4,000,000, bearing interest at 5 per cent. per annum, and redeemable after ten and within twenty-five years of issue, was floated in London on the 23rd of July last by the South Manchurian Railway Company. The work is to be undertaken immediately, and subsequently the necessary financial arrangements will be made for the construction of the branch between Kwangchengtze and Kirin in accordance with the terms of the loan agreement.²

Turning now to the question as to whether the railways in Manchuria, other than the Manchurian sections of the Imperial Railways of North China, can be made to pay, we are at once faced with the difficulty that we have no capital figure expended on construction and rolling-stock upon which to base our calculations. It is only known, and so much is a matter of common knowledge, that the Russians spent fabulous sums³ in the original construction of the line. It is also known, as has been already indicated, that the section between Kwangchengtze and Harbin, a distance of 508 miles, together with other valuable railway and mineral rights, have been acquired by the Southern Manchurian Railway Company for the sum of Yen 100,000,000 in shares. But these figures afford no criterion, for, besides having to allow for the value of the mineral rights and railway rights outside the section referred to, allowance must also be made for the contemplated expenditure of an unascertained, but considerable, sum on new rolling-stock and the alteration of the gauge.

¹ It is estimated that they will be completed within three years.

² Appendix A, No. 6.

³ It is said that the cost of the whole Trans-Siberian Railway, including the Manchurian Railway, has exceeded £100,000,000. Nevertheless, as an emigration agency alone, the expenditure is doubtless fully justified, several thousand Russians being annually settled, at a comparatively low cost, throughout Siberia.

In these circumstances it can only be said that on anything approaching a reasonably normal capital expenditure excellent returns should be assured.

There are sound reasons for this conclusion. In the first place, owing to a certain dearth of labour, considerably less than half the country available for cultivation has been taken up. There is thus ample room for development, a process which is always going on, and which should go on more quickly when the country is more opened up.

This appears specially probable when it is remembered that in recent years there has been a tendency among the Chinese in the northern provinces, from one cause or another, to overcome their ancient prejudices and enter Manchuria in search of work or business, as the case may be.

Secondly, prior to the Russo-Japanese War, the trade in Manchuria was very considerable, and therefore it is not unwarrantable to suppose that with the restoration of peace, if carefully fostered by railways, economically and scientifically managed, it must—taking into account the possibilities of development—at no distant date become enormous.

Any reasonable examination of the prevailing conditions will be found to justify these observations, and in passing we may perhaps with advantage remark upon them briefly.

In the first instance, we find the country more than ordinarily well favoured, and producing among other things a fine variety of cereals. Of these, the most important is the tall millet or kaoliang, which is put by the Chinese to several different uses. The grain is the staple article of diet, the outer leaves are woven into mats and used mainly for packing purposes, while the stalks are used for fences and fuel and in the construction of houses, the framework being cased in mud. Wheat, to the cultivation of which the country is highly suited, barley, rice, Indian corn, and other varieties of millet, are also grown in varying extent. But after kaoliang the chief article of cultivation is the bean, which forms the principal export. In fact, it represents roughly two-thirds of the total export trade in Manchuria, and is exported either in the form of pulse bean cake, which is used as an animal food and fertiliser, or bean oil, usually employed for culinary and lighting purposes. Opium, silk, and ginseng are also exported, the last-named mostly in the raw state.

In connection with the export trade, Mr. (now Sir Alexander), Hosie, a distinguished member of the consular service, when recording his experience from personal observation gained on one of his journeys, wrote :

"I have travelled in different parts of China, I have seen the great salt and piece-goods traffic between Szechuan Kweichow and Yunnan, but I never saw a sight which from its magnitude impressed me so much with the vast trade of China as the carrying trade from North to South in Manchuria."¹

Turning to the imports, the bulk of which consist of piece goods, it is found that this side of the trade is also in a flourishing condition, and together with the exports form a trade of which Mr. Hosie found himself able to write :

"Although it may be considered presumption on my part to give an estimate of its value, I cannot refrain from hazarding the conjecture that we are faced with a trade whose annual value does not fall short of fifteen million pounds sterling."²

In past years, practically the only port of entrance and exit for this trade is and has been the Treaty Port of Newchwang, ice-bound for a third of the year, with which Dalny, now Tairen, from which as an ice-free port so much was expected, was, under the Russian régime, unable to compete, apparently by reason in the main of the prohibitive railway freight. The great trade route is the Liao River, to which the bulk of the produce which is not carried direct to Newchwang is taken in carts. The roads in Manchuria, however, are bad, and much of the trade is entirely dependent on the Liao, which with all its feeders is frozen on an average for four months in the year.

In such circumstances, with a port open at all seasons of the year as one of its termini, it should not be difficult for the railway to secure a very large proportion of this great carrying trade if it set itself seriously to the task, with the result that besides benefiting itself it would also benefit the trade both export and import, which would rapidly increase as the country became accustomed to sustained trade movement throughout the year. It should also be mentioned that the mineral wealth of Manchuria is believed

¹ *Manchuria*, by Alexander Hosie, F.R.G.S., late H.B.M. Consul of Newchwang, at page 15.

² *Ibid.*, at page 262.

to be considerable, particularly in the districts of Tung Wha and Huai Jen, which will be served by the Antung-Mukden line. A development, therefore, in that direction may certainly be expected.

In conclusion, it may seem that an observation is called for in regard to the future of Manchuria, as far as foreigners, other than Japanese and Russians, are concerned. The original agreement between Great Britain and Japan concluded in London on the 30th of January 1902, aimed at "maintaining the independence and territorial integrity of the Empire of China," which, of course, includes Manchuria, "and the Empire of Corea," and at "securing equal opportunities in those countries for the commerce and industry of all nations." The same principle, at least as regards Manchuria, was reaffirmed in no measured terms by Japan and Russia in the famous Portsmouth Treaty of 1905. Nevertheless the fact remains that two years after the conclusion of peace, from one cause or another, the conditions prevailing in Manchuria are such as to render commercial intercourse with Europe and America extremely difficult, while the Japanese trader, on the other hand, is undoubtedly acquiring a firm hold on the country. In consequence, a distinct feeling of suspicion has been aroused, which the fate of Corea can scarcely be said to have done anything to allay.

In justice to Japan, however, it must be remarked that the stagnation of trade is at least in a measure due to the wasting effects of the recent war, from which Manchuria is only now beginning to recover, and that such investigations as have been made, though by no means conclusive, have not so far revealed the existence of any artificial barriers to European and American enterprise. Moreover, in all the circumstances of the situation, the time scarcely seems to have arrived to form a just estimate as to the ultimate intentions of Japan in Manchuria. At the moment, indeed, we should not be justified in doing more than express the pious hope that Japan will act up to the spirit of the understanding on the strength of which she secured Great Britain's support, and, for the present at least, to accept the view that it is a case of *festina lente* in regard to the practical as opposed to the theoretical opening up of the country in the interests of international trade.

CHAPTER IX

THE BRANCH LINE TO CHINWANGTAO

BEFORE finally quitting the subject of the railway systems of North-East China and Manchuria brief mention should be made of the short branch running between Tangho on the main Peking-Shanhaikwan line and the port of Chinwangtao, which is rapidly assuming a position of considerable importance.

Chinwangtao is situated on the coast of Chihli, a few miles south of Shanhaikwan. It was opened to foreign trade by Imperial edict in 1898.

At that time, however, the place was entirely undeveloped, and merely represented the most favourable point on the coast for the construction of a harbour. For some years previously the Chinese Engineering and Mining Company, which now owned its own fleet of steamers, had been in search of an ice-free port from which to ship coal in the winter months when Tongku was inaccessible, and after trial Chinwangtao had been found suitable for the purpose. It was consequently decided to provide shipping facilities there, and steps were taken to secure the approval of the Throne to the proposed development.

Meanwhile the company acquired a considerable tract of land favourably situated in the neighbourhood of the proposed new port.

In its undeveloped state Chinwangtao attracted little attention, but under the able advice of Mr. Detring, a distinguished member of the Imperial Maritime Customs Service, the company steadily matured its scheme for the construction of harbour works, and a branch railway in connection with the main Peking-Shanhaikwan line. To this end certain contracts had actually been concluded when the Boxer outbreak occurred.

The development of the new port, however, was not destined to be delayed. On the occupation of the province of Chihli by the

forces of the allies it was selected as a landing-place for troops and munitions of war, and to improve the facilities a contract was entered into with Messrs. Bott & Company for the construction of a temporary pier and railway line to Tangho, the nearest point on the main line.

Meanwhile arrangements had been made whereby the undertaking—mines, fleet, and all other property, together with the liabilities—of the Chinese Engineering and Mining Company was taken over early in 1901 by a new company, registered under English law as the Chinese Engineering and Mining Company Limited. A few months later the new company took over the railway and the pier by arrangement with the British Admiral.

Since that time the company have improved the railway, made further additions to the pier, and also constructed a breakwater, thus forming a harbour, at a capital expenditure amounting to £220,000.

The railway is a standard gauge line some six miles long, which runs along the pier, so that goods can be loaded directly from trucks into steamers lying alongside. The pier is 350 feet long, the present length of the breakwater is 1420 feet, and both are faced with a rail and girder-skin. Originally they were constructed of Jarrah piles with stone filling in between, but it was found that these piles were incapable of withstanding the encroachments of the *Teredo navalis*, and it was necessary to effect extensive alterations in the work.

At the time of writing accommodation exists for berthing five steamers, and the depth of water varies between a maximum of 25 feet and a minimum of 17 feet. At the outer berth ocean-going steamers of from 5000 to 6000 tons burden have been able to come alongside and take in cargo of over 4000 tons of coal.

It is now proposed to construct further quay accommodation between the breakwater and the pier, and to dredge the interior of the harbour to a minimum depth of 23 feet with a passage out to sea. Work is also in progress in connection with the breakwater, which is being lengthened by the addition of some 300 feet, while a new iron facing to the pier, and the construction of further godown-accommodation and sidings is in contemplation in the near future.

The following table shows the early stages in the growth of a promising trade which has sprung up at Chinwangtao during the few years that shipping facilities have existed there.

IMPORT.

Year.	General Cargo.	Treasure.	Merchant Vessels entering Port.	Men-of-war entering Port.	Registered Tonnage of Vessels entering Port with Timber and Sleepers.
Dec. 1901 to Feb. 1902	8,080	104,000	41	5	1,838 tons (1 steamer).
Mar. 1902 to Feb. 1903	13,868	...	158	44	14,957 tons (9 steamers).
Mar. 1903 to Feb. 1904	15,119	900,247	207	73	11,399 tons (5 steamers).
Mar. 1904 to Feb. 1905	56,946	15,887,610	228	27	...
Mar. 1905 to Feb. 1906	52,352	3,221,620	199	24	...
Mar. 1906 to Feb. 1907	87,455	455,500	239	53	18,582 tons (15 steamers).

The first steamer entering the port with general cargo was the S.S. *Fuping* (British flag), on the 14th of December 1901.

EXPORT.

Year.	General Cargo.	Treasure.	Coal.	Coke and Miscellaneous Products of the Company.
Dec. 1901 to Feb. 1902	Tons.	Taels.	Tons.	
Mar. 1902 to Feb. 1903	1,565	267,000	10,050	...
Mar. 1903 to Feb. 1904	4,462	381,150	164,930	...
Mar. 1904 to Feb. 1905	7,086	1,509,063	189,535	10,425
Mar. 1905 to Feb. 1906	11,597	268,550	127,876	9,576
Mar. 1906 to Feb. 1907	8,090	655,935	115,002	62,570
	11,927	1,721,170	171,177	3,497

Some considerable development of the place itself has recently taken place by reason of the establishment in 1904 of a dépôt for coolie emigration to South Africa, which involved the erection of quarters for the accommodation of 6000 coolies at one time,

and suitable houses for emigration agents, officials, and others connected with the business.

Looking to the future, a steady advance seems assured. Chinwangtao is now the recognised winter port of call for North China. Tientsin is dependent upon it for three months in the year, and when the Liao River is frozen it must in normal circumstances share with Dalny such portion of the trade of Central Manchuria as will bear railway freight.

Chinwangtao, however, is not merely a port of subsidiary importance. It is also the natural point of entry for the north-east portion of the province of Chihli and South-West Manchuria, and recently signs have not been wanting of the development of a local trade that should in course of time assume respectable proportions.

CHAPTER X

THE BATTLE OF CONCESSIONS

IT was remarked in the opening chapter that the history of railway development in China falls into three stages. We have now traced two of them. In the first place, attention has been directed to the history of abortive foreign effort, illustrated by the failure of the Shanghai petitioners in 1863; the story of Sir Mac-Donald Stephenson's attempt in the following year, to induce the Chinese to allow the introduction of railways; and, lastly, by the fate of the Woosung Road. While, secondly, the period of progressive movement emanating from the Chinese themselves, and finding expression in Formosa and in the Imperial Railways of the North, together with the resulting developments in Manchuria, has also been reviewed.

We have now reached the third stage. This followed, and was indeed directly consequent on, the Chino-Japanese War, shortly after the conclusion of which commenced what Lord Salisbury described as "the Battle of Concessions,"¹ or, in the perhaps not less appropriate language of a writer in the *Forum*, "that mad scramble for Chinese concessions,"² which characterised the closing years of the last century.

As a matter of logical arrangement, it may at first sight be objected that the Chinese Eastern Railway should have been treated together with the other foreign concessions. A moment's reflection, however, dispels this view. The Manchurian line, as should now be clear, was the outcome of the inevitable collision between China and Russia in the north, which had been hovering on the political horizon visible to observers for more than forty years. Threatened Chinese development, which by no means accorded with Russian policy, was the direct *causa causans* of the Russian invasion of Manchuria. That matters took the concrete form of the grant of

¹ *Blue Book*, No. 1 of 1899, No. 232.

² Charles Denby, in April 1899.

a concession, and that the Chinese in order to construct their line to Newchwang and keep the Russians on the other, the east, side of the Liao River were compelled to borrow British capital about the same time as the syndicates of other foreign countries appeared in the field, was to a large extent fortuitous.

Inside the Great Wall, on the other hand, with the exception of the case of Germany in the province of Shantung and France in South China, which will be subsequently more particularly referred to, the determining factors were quite different.

The war with Japan had been fought, and ended for China in humiliating disaster. But it had left behind it strong progressive tendencies in the breasts of many patriotic Chinese. Among them was H.E. Chang Chih Tung, Viceroy of Hukuang, who vigorously set himself to apply the lessons of the war, as he understood them.

According to the view he took of the situation, the time had come when a great trunk railway, putting the capital in rapid communication with the central and southern provinces, was not only commercially but strategically necessary, if China was to maintain her position among the nations. In a subsequent memorial the compelling force is thus rather pathetically placed on record :

"The powerful foreign nations stand around watching for their opportunity, and, making use of trivial pretexts in the conduct of international affairs, swiftly despatch their warships from one end of the Empire to the other. It is impossible to say when our communication by sea may be blocked, and the establishment of internal communication by railways has become a necessity."

In the latter part of the year 1895, therefore, His Excellency revived and somewhat extended his old railway scheme, which it will be remembered was first formulated in 1889, and memorialised the Throne to authorise the establishment of a company which should raise capital and undertake the construction of all necessary railways, retaining full control in Chinese hands. This company was first to direct its attention to the upper section of the trunk line running from Hankow on the Yangtze northward to Lukouchiao, a place about ten miles to the south-west of Peking, which, as we have seen, had been already connected by a branch from Fengtai with the main Peking-Shanhaikwan line. Afterwards

operations were to be extended by continuing the railway southward to Canton, and by the construction of a short line between Shanghai and Soochow. The formation of any other railway company was prohibited, and the suggestion appeared to be that, when the lines already enumerated had been constructed, no further extension of China's system would be required. Meanwhile the idea of inviting the assistance of foreign capitalists did not appear to be in contemplation.

Such in outline was the scheme on paper. It does not, however, necessarily follow that it more than approximated in a general way to the scheme as it revealed itself in Chang Chih Tung's own mind, and it may be well to remark in passing that in general a Chinese memorial is by no means the same document as a foreign State paper. The compiler of the latter may be taken, on the whole, to give tolerably straightforward expression to his views. The Chinese memorialist, on the other hand, rarely states more than a fractional part of his intentions, and scarcely ever contemplates the performance of his proposals in their entirety. In most cases the object of a memorial is to obtain the recognition by the throne of a principle. Various considerations render directness of language undesirable. In consequence, such documents are frequently couched in the language of hyperbole, and arguments, suggestions, and even statements and undertakings are frequently introduced only to be dropped as soon as the desired result has been achieved.

These remarks appear to find illustration, though certainly in a less degree than on many other occasions, in Chang Chih Tung's memorial adumbrating his views on railways.

However much alive he may have been to the political dangers attendant on the introduction of foreign capital, and however desirable it may have appeared to him that resort to the expedient of raising loans either in Europe or America should be avoided, it is highly improbable that he should have believed, with Li Hung Chang's experience in connection with the Imperial Railways of North China before his eyes, that Chinese investors would subscribe the necessary funds. Yet such was the impression of the first memorial, which certainly gave rise to the idea that he not only intended to raise, but expected to succeed in raising, Chinese capital.

All efforts, however, in this direction, if indeed such were made,

failed, and foreign capitalists had ultimately to be admitted, a Belgian syndicate leading the way by obtaining, in May 1897, a contract for the construction of the line from Lukouchiao to Hankow. The grant of other concessions rapidly followed. The southern section of the trunk line between Hankow and Canton was placed in American hands. The British and Chinese Corporation secured the right to construct lines radiating from Shanghai. The same combination undertook the construction of a line between Canton and Kowloon, while the Russo-Chinese Bank secured a concession for a line from Taiyuanfu, the capital city of the province of Shansi, to Chengtingfu, where it joins the Peking-Hankow Railway. At the same time the Pekin Syndicate, a British combination with an Italian representative in Peking, obtained a grant of extensive mining and railway rights in the highly mineralised provinces of Honan and Shansi.

Meanwhile Germany and France had not been inactive in other parts of the Empire. In the province of Shantung "German diplomacy, pursuing its path," as Baron von Bülow euphemistically put it, "calmly, firmly, and peacefully," secured a lease of territory and extensive railway privileges. Similarly France was granted a lease of Kwangchauwan, and valuable railway rights in the provinces of Yunnan and Kwangsi.

The mention of these events recalls the distinction, to which allusion has already been made, between the causes resulting in the acquisition by Germany and France respectively of their privileges in Shantung and South China, and those operating to bring about the grant of the concessions above enumerated. And it will be found that the distinction is as clearly defined as in the case of Manchuria; furthermore, that it is in principle the same distinction, as is also the conclusion to be drawn therefrom. In other words, the railway policy of Germany and France, like that of Russia, has been a means to an end, an incident in a larger policy, which can only be described as in intention a policy of colonisation.

Of late, events have combined to defeat, or at least to postpone, the attainment of Russian, German, and French aims, but the nature of the operating causes remains unchanged.

Too many or too fine distinctions, however, in laying down at the outset the broad principles on which investigation is to proceed only tend to confusion. Moreover, in the present case they

would have resulted in considerable inconvenience. The fact that the growth of the Chinese Eastern Railway was bound up with that of the Imperial Railways of North China rendered it imperative to treat them together. In the case of South China, on the other hand, convenience dictated the discussion of the French rights in the position that appertained to them geographically as railways in China Proper. Similarly with the German rights in Shantung. Though they may be said, strictly speaking, to have formed no part of the Battle of Concessions, it is nevertheless convenient to discuss them here, particularly in view of their connection with the Tientsin-Nanking Railway, which was one of the concessions following on the grant of the concession for the Peking-Hankow line.

The advantages of the course that has been pursued, however, will become clearer when the proceedings, which have been touched upon, are narrated in greater detail. In the meantime a word is necessary in reference to the form of contract which these various arrangements, with the exception of the concession to the Pekin Syndicate and the French and German rights, have assumed.

In this connection the convenient term concession has been very generally, and perhaps somewhat loosely, applied.¹ When we come to analyse them we find that primarily these arrangements are in the nature of underwriting contracts. The contracting syndicate undertakes to provide 90 per cent., for example, of a loan of so many millions of pounds or dollars, as the case may be, repayable at a certain specified time and bearing interest at the rate of 5 per cent. per annum; it takes its chance of being able to float the loan upon the public at a higher percentage of its nominal value. What has happened in most cases is that on every £100 bond, for example, issued by the Chinese Government the latter have received £90, while the syndicate have succeeded in getting them taken up at £97 or thereabouts, thus securing a respectable margin on the transaction. But under the recently concluded agreement in connection with the Canton-Kowloon

¹ In the case of the French and German rights, the Russian rights in Manchuria, and the Japanese rights in regard to the Southern Manchurian and Antung-Mukden Railways, the term in its strictest sense is, of course, quite correctly applied. For in these cases the grants have been made under conditions which deprive China of all control and profit in the several undertakings, and seriously prejudice her sovereign rights within the territory through which these railways run.

Railway the Chinese Government have secured far more favourable terms.

This is one aspect of the contract. There appear to be three others.

Firstly, the syndicate is given the right to construct the line, and in return for its trouble in this connection it is in most cases allowed a sum equivalent to 5 per cent. on the total cost. It is this right which presumably gives rise to the idea of concession.

Secondly, on completion of the line it is placed in some cases under a theoretically joint Chinese and foreign control, in which in practice the foreign element predominates. In other cases the Chinese have merely a consultative voice.

Thirdly and lastly, at this stage, or rather from the time of the issue of the loan, the syndicate become trustees for the bondholders, and it is easy to see that, in the nature of things, the loan being secured by a first mortgage upon the railway, the position of the syndicate for all practical purposes must be that of mortgagees in possession.

Such are the underlying principles of the agreements which confer these rights, which for want of a more precise term we call, and shall continue to call, concessions. The details, of course, vary.

In considering them, although the method of treatment may involve repetition in certain small particulars, seeing that the grants have been virtually contemporaneous, it seems on the whole more convenient, as tending to avoid confusion among the multiplicity of interests involved, to consider each concession separately rather than to attempt any general development of the subject. In these circumstances the Peking-Hankow, or Ching-Han, Railway, as being the earliest concession in point of time of those immediately under consideration, first demands our attention. Subsequently the remaining concessions, together with the Pekin Syndicate Concessions and the French and German rights in South China and Shantung respectively, will be severally dealt with in the place that geographical or historical conditions may dictate as most convenient.

CHAPTER XI

THE PEKING-HANKOW OR CHING-HAN RAILWAY

WHEN Chang Chih Tung's scheme took definite shape it was, of course, realised among foreigners that China herself could not hope to put it into execution. The war with Japan had been a serious strain upon the financial resources of the country, and the Imperial Treasury was exhausted. Again, as has been seen, the idea of joint-stock enterprise, except under foreign supervision, fails to appeal to the generality of Chinese investors.

In these circumstances a departure from the apparent principle of the scheme was inevitable, and early in 1896 the formation of a company whose capital should be subscribed two-thirds by Chinese and one-third by foreigners was discussed. It was even alleged that an American named Jeffords had successfully concluded negotiations on these lines. Later in the year it was rumoured that a Cantonese syndicate with a preponderating British element had entered into a contract with the Chinese Government to finance not only the northern but also the southern section of the proposed trunk—that is to say, the whole line from Peking to Canton. But, for some reason or other, neither of these schemes matured, and no real progress was made until October, when an Imperial edict was issued appointing the Tientsin Customs, Taotai Sheng Hsuan Huai, now better known as Sheng Kung-Pao, Director General of the projected railway between Lukouchiao and Hankow, with instructions to commence the work with all possible despatch.

On assuming office Sheng was not slow to act, and no long time was suffered to elapse before arrangements to survey the proposed route were made with an American group of financiers, represented by Senator Washburn, with whom Sheng had, in anticipation of his appointment, already been in negotiation.

No agreement for the construction of the line had at that time been arrived at, but the Director General was anxious to satisfy

the Government that something was being done; furthermore, it was anticipated that there would be no difficulty in settling terms when the results of the survey were known, and consequently an expedition, under the late Captain Rich, was despatched in November over the projected route. Starting from Hankow, they arrived in Peking in the early spring of 1897, and in due course presented a report upon which all subsequent estimates for the line have been based.

Meanwhile, a new factor had been imported into the situation in the shape of a Belgian syndicate, which subsequent events showed to be a Franco-Belgian combination with Russian proclivities, designed to assist the achievement of the long-cherished ambition of France to join hands across China with her great northern ally. H.E. Sheng quite properly proceeded to take advantage of the competition; it was only unfortunate from the American point of view that he allowed his discrimination to be outweighed by his zeal to secure a good contract. The Americans were ready with a more or less reasonable business proposition. The Belgians, on the other hand, bent on obtaining the concession, were apparently willing to undertake the work on practically any terms that might be offered. The Belgians accordingly carried the day.

It is perhaps of interest to recall the language in which on a subsequent occasion Sheng gracefully paraphrased the situation:

"Your Memorialist, Sheng, had the intention of employing American capital for the construction of the Lukouchiao-Hankow line, but afterwards when the American, Washburn, came to China his conditions were found too hard, and consequently negotiations were broken off. Your servant was thus constrained to approach Belgium."

And again :

"Negotiations were first opened with American merchants, which failed owing to their demanding too many powers. Then with British merchants, who were very much the same, which would have caused some scores of years of harm, and the Memorialist was much disheartened, both at the disadvantages to be dealt with in borrowing the money, as well as the difficulties which would be met with in the repayment of it; and though his pen is worn, and his lips are parched with talking, he has not ventured to settle matters thus out of hand. In the spring of last year the Memorialist hurried up to Wuchang to decide definitely how matters should be settled with Chang Chih Tung personally, when just at this time some Belgian merchants approached him through the medium of the Belgian Consul at Hankow, and

matters were discussed. The several important points that were wrangled about with the British and Americans were brought forward, and our demands were all agreed to by the Belgians without further discussion. Chang Chih Tung and the Memorialist talked the matter over privately, and came to the conclusion that Belgium was but an iron and steel manufactory, and acknowledged to be a small country, without any wish for aggrandisement, and that borrowing money from them would be most advantageous, and attended with but little risk. So we left the British and American alone and took up the Belgians, and Your Majesty has been thoroughly informed of the two agreements then made."

A foreigner of some experience in such matters recently expressed his conviction to the writer that, broadly speaking, to achieve success in negotiations with Chinese it is sound policy, within limits, to sign your agreement first and discuss its terms afterwards. In other words, obtain a grant of the rights you require in principle, and then, with the aid, if necessary, of your Minister in Peking proceed to dictate to the Chinese the conditions on which it is to be held. It is said that thus you satisfy the natural weakness of the Chinese character for appearances.

In the present case this is precisely what occurred. While the Americans were bargaining, the Belgians were accepting the Chinese terms. As Sheng himself put it : "Our demands were all acceded to without further discussion." It was perhaps scarcely surprising that a contract was in due course signed between the Belgian Syndicate and His Excellency in June 1897.

It was soon found, however, that financiers in Europe could do nothing with the contract in its present shape, and it became necessary to obtain more attractive terms. The second stage in the process above indicated had been reached, and resort was had to diplomatic pressure in Peking, negotiations being opened up with the Tsung-li Yamen by the Belgian Minister, backed up by the representatives of Russia and France.

Although it was known that the concession of 1897 had been granted and had proved unworkable, and that diplomatic efforts were being made in Peking to obtain improved terms, the British Minister does not appear to have thought it necessary to take any particular action in the matter. He relied on an assurance from the Yamen that the syndicate was a *bona fide* Belgian affair, and on the fact that he had secured the insertion in the original agreement of a clause restraining alienation to any other foreign Power. It must also be added that he was not aware of the active interest

which was being displayed by France and Russia, and consequently did not realise the significance of what might at any moment develop into a political movement against British interests in the region of the Yangtze, if indeed it was not in intention already such.

The first warning note apparently was struck by Dr. Morrison in a telegram to *The Times* in May 1898. It was followed by the first manifestation of uneasiness on the part of the British Government. But, unfortunately, matters were too far advanced for any effective action to be taken, and in the course of a few weeks the revised contract was duly executed.¹

The telegraphic interchange of instructions and information which passed at that time between London and Peking form an instructive comment on the methods that have sometimes been employed to safeguard British interests in China. Brief, significant, almost pathetic in their newly awakened anxiety, these messages also record the detailed history of those few weeks, and will be found to repay perusal by those at all interested in the course that events took in Peking at that time.

In Paris no secret was made of the part played in the transaction by French diplomacy. An official communiqué from the Ministry for Foreign Affairs which appeared in *Le Temps* on the 28th of June, while speaking of the important part reserved to French industry in providing material for the line, frankly congratulated the country on a success achieved "at a time when the railroad question was destined to play so important a part in the relations of China with the Powers."

A further triumph awaited them. The agreement had so far only received Sheng's signature; it had still to be ratified by the Government before becoming effective. And to this ratification Sir Claude MacDonald opposed the strongest objections. The news of the signature of the agreement had, in view of recent developments, aroused consternation in London, and the China Association addressed Lord Salisbury on the 8th of July in terms which showed that they were fully alive to the dangers with which British interests were threatened. Stress was laid on the political element in the concession that had been granted, and it was pointed out that circumstances were conceivable in which "preferential freight and differential rates might be made to subserve national ends."

¹ The contract was contained in two agreements, a loan contract and a working agreement; *vide* Appendix B, Nos. 1 and 2.

"State finance," they urged, referring to the interest of the Russo-Chinese Bank in the matter, "must be opposed by State finance," and a suggestion was put forward that Her Majesty's Government should guarantee a loan for the purpose of constructing the line.

On this proposal being rejected it was suggested that the rights for this line should be taken over in exchange for the rights in connection with the Imperial Chinese Railway extension to Newchwang. But though instructions were telegraphed to Sir Claude MacDonald to negotiate on these lines, it is not clear that he took any steps to that end. He not improbably realised that the proposition was an impossible one. Li Hung Chang was in Peking with influence scarcely impaired, and he was certainly too astute a statesman to fail to realise the value to China of British interests in the north, nor despite his friendliness to Russia was he desirous of assisting the attainment of her ambitions on the scale that would result from gratuitously providing her with such a weapon as the northern line. On the foreign side the Belgians with their growing interests on the Yangtze could hardly have been brought to agree to the proposal, while the French would doubtless have opposed with all their influence an exchange from which they would not only derive no advantage, but which would place a final bar on the attainment of their trans-China railroad ambitions. There was thus no prospect of an adjustment on these lines, and further action seemed to wait on future developments.

Early in August a Shanghai newspaper published what purported to be a copy of the contract with the Belgian Syndicate. This contract Sir Claude MacDonald had frequently requested to be allowed to examine, but had always received the answer that the Tsung-li Yamen had not yet themselves been furnished with a copy. On seeing it, as published in the Shanghai Press, strong representations were made by despatch and by the Minister in person to the Chinese Government on the subject of the financial part to be played by the Russo-Chinese Bank. British opposition to the grant of the concession had from the outset been based on the suspected introduction of Russian influence. There was no objection to legitimate commercial enterprise in the Yangtze Valley region, but the construction of a railway which might be devoted to the attainment of political ends involving possible ultimate territorial aggrandisement at the expense of British trade interests could not, of course, be suffered to pass unchallenged.

Anterior, therefore, to the signing of the contract by Sheng, the Tsung-li Yamen had been asked for and had given assurances that the Russo-Chinese Bank was not interested in the scheme. Consistency now demanded of the Chinese an explicit repudiation of the terms of the contract as published in Shanghai, and an undertaking by the Chinese Government that any clauses admitting the Russo-Chinese Bank to participation in the contract should not receive Imperial sanction.

Such an undertaking was solemnly given by the Tsung-li Yamen to Sir Claude MacDonald on the 6th of August. Three days later, however, it became known in the British Legation that the Yamen had resiled from this position, and all attempts of the British Minister to approach the authorities were frustrated. On the 12th of August the agreement was ratified, and Sir Claude MacDonald wrote to Lord Salisbury :

"That the ratification has thus been rushed through is undoubtedly due to the influence of Li Hung Chang, combined with strong pressure on the part of the representatives of Russia, France, and Belgium."

He added :

"If heavy payment is not exacted from the Chinese Government for their bad faith, Li will persuade his colleagues that it is safer to slight England than any other Power, and any pressure which we may want to bring to bear in other matters will be without weight."¹

Lord Salisbury's reply was an authorisation to insist on immediate completion, on terms identical with those contained in the Peking-Hankow contract, of the following concessions, which had been under negotiation for some time : the lines radiating from Shanghai under negotiation by the British and Chinese Corporation ; the Canton-Kowloon line, and the lines projected by the Pekin Syndicate in Honan and Shansi.

This stronger tone had the desired effect. On the 14th of September the Tsung-li Yamen gave a satisfactory undertaking in regard to these concessions, to which opportunity will be taken of referring in detail later.

To return, the revised arrangement that had been come to was embodied in two documents, a loan contract and a working agreement. Under the former, provision was made for the issue of a loan of 112,500,000 francs to be represented by 500 franc bonds,

¹ *Blue Book No. 1 of 1899. No. 287.*

bearing interest at the rate of 5 per cent. per annum. The loan is to be amortised in twenty years commencing in 1909, but the Chinese Government reserve the right in 1907, or at any time thereafter during the currency of the loan, to repay the whole loan, whereupon the contract together with the working agreement will become null and void. The security of the loan is the Imperial revenue and nett profits of the railway. The eighteenth clause provides that the Russo-Chinese Bank are to have charge of the financial arrangements during the currency of the loan.

The working agreement, which is to run for forty years, or until the amortisation of the loan has been completed, confers wide powers of management upon the syndicate, and for all practical purposes gives them complete control of the line. They have the right to organise the service, to recruit the personnel of the staff, and to fix the tariffs, their remuneration for these services being 20 per cent. of the nett profits of the railway after paying working expenses and providing for the service of the loan.

With these desirable terms to work upon, a prospectus was issued in Brussels in the spring of 1899, and freely circulated in connection with the loan, the first issue of which was in due course subscribed. The figures showed that the part played by France was no empty boast. Approximately four-fifths of the amount required was subscribed in Paris, the balance coming from Brussels, with a few subscriptions from Holland.

It is to be noted that the prospectus contained a statement of fact which has since been controverted. It was alleged that the syndicate had secured an option for the construction of the southern section of the trunk line between Hankow and Canton, and that, in the event of American capitalists failing to provide the necessary funds they were to be offered a contract to finance the undertaking. As a matter of fact, the Syndicate had endeavoured to obtain such an option, but had failed to do more than extract a letter from Sheng purporting to secure the desired end, which, without the Imperial sanction, was of course valueless. On the point being put to the Tsung-li Yamen an explicit denial of the existence of any such right was given in writing. And therefore, though it has been again claimed, and some time since was put forward by the Belgians in support of their case against the Chinese in connection with the proposal, first put forward in 1904, to cancel the Hankow-Canton Railroad concession, on the ground

of alienation to Belgians, it must be accepted as a fact that the latter do not enjoy this right. Still more recent events confirm the correctness of this conclusion.¹

It is also of interest to observe in passing that about this time Russia made a move, which has been already referred to,² in the direction of the further development of the Franco-Russian ambition for a trans-China road, by demanding a concession for a railway from Peking to connect with a point on the Siberian line somewhere north of Mukden. It was alleged that China had been guilty of a breach of faith with Russia in concluding the agreement for the Shanhakwan-Newchwang line with the British and Chinese Corporation, though, as we have seen on the authority of Hu Ta-jen, no undertaking had been given by China to Russia, and there were no grounds for this assertion. Fortunately, the Tsung-li Yamen, though considerably perturbed, had the presence of mind instantly to refuse the demand, which was subsequently withdrawn.

In the summer of 1899 the syndicate was ready to commence work. Meanwhile part of the permanent way had already been constructed. Pending the outcome of negotiations, and in order to allay the impatience of the Imperial Government, Sheng had made arrangements more than two years previously with the Administration of the Imperial Railways of North China to undertake the construction of the northern section from Lukouchiao to Paotingfu, a distance of eighty miles. The survey of this section had accordingly been made in the winter of 1896 by Mr. Kinder, construction commencing in the following spring, under the direction of Mr. T. J. Bourne, who had been appointed Resident Engineer. The rails, with the exception of thirty miles of English Sandberg pattern, were supplied by the Hanyang Government Iron and Steel Works, and the tardy delivery of the latter caused some delay. The work, however, was completed by the time the Belgians were ready to take over.

At the Hankow end also a few miles of permanent way had been built by Chinese engineers under Sheng's direction, this section being likewise taken over by the syndicate.

The autumn saw careful surveys in progress in order to ascertain the best route to be followed, it being ultimately decided to continue the line from Paotingfu southwards through Chengting, Shunte, Changte and Weihui, to the Yellow River near Yungtzu, and

¹ Post, Chap. XII.

² Ante, Chap. VI.

thence by way of Hsinyang to Hankow. Construction was commenced in the spring of 1900, but had not proceeded far when the Boxer outbreak occurred, causing some considerable delay.

As soon, however, as order had been restored, advantage was taken of the opportunity to make arrangements with the allied commanders to extend the line from Lukouchiao, the original northern terminal, to the Chien-men, one of the gates of Peking. The railway which had hitherto been known as the Lu-Han line, a combination derived from the first syllable of the terminals Lukouchiao and Hankow respectively, now became known as the Pe-Han¹ line, the first syllable of the new northern terminal Peking, being substituted for that of the old northern terminal Lukouchiao.

Construction of the rest of the line was now pushed on as quickly as possible at both ends, the through road being completed in the winter of 1904, with the exception of the bridge over the Yellow River, which, however, was completed and formally opened to traffic on the 15th of November 1905.

In many respects this bridge is, up to the present time, the most interesting engineering work that has been undertaken in China, and the results of the experiment—for it is, in point of fact, nothing more than a gigantic experiment—will be eagerly waited for.

The characteristics of the Yellow River are well known. According to native records, the lower portion has changed its course no less than nine times during the past two thousand years, and has emptied its waters at as many different mouths, the last great change, probably the greatest in its history, being within the recollection of men still living. This took place in 1853, when the waters forsook the bed in which they then flowed, through the north of the province of Kiangsu to the Yellow Sea, and, after devastating thousands of square miles of country, took a north-easterly course through the province of Shantung, and, joining the Ta Tsing River, finally reached the Gulf of Pechili, a distance of 300 miles above the point where it had previously

¹ The name has recently been again changed, this time to Ching-Han; Ching, the romanised form of the second Chinese character in the name Peking, meaning the capital, Peking being the northern capital in contradistinction to Nanking, the southern capital, for a few years the seat of Government under the Mings.

reached the sea. It is this tendency that in past ages has earned the river the name of "China's Sorrow," and that now rendered it necessary for M. Jadot, the Engineer-in-chief of the railway, to select a point for crossing with extreme care, lest some day the river should again forsake its course and the bridge be left high and dry in the midst of the surrounding plains. The point finally selected was at a place called Yungtzu, where on the south bank rises a low range of hills which have since been tunnelled to admit of the approach of the southern section of the line. It may be mentioned, however, that in the opinion of many competent observers the anticipated danger has not been altogether avoided, as would apparently have been the case had a point been selected some miles higher up the river.

The style of bridge was the next problem, and in view of the fact that the river bed is simply a gigantic quicksand, and solid bottom except at very considerable depths unattainable, this presented some difficulty. After due consideration, however, it was decided that the bridge should be constructed throughout of steel and carried on screw piles, thus avoiding the expense of sinking masonry piers, which in this case would have been enormous. The work has now been carried out on these lines, the piles used being about one foot in diameter and in sections of two metres. They have been driven down in sets of four, six, eight, and ten into the bed of the river to a depth of approximately fourteen metres, and then joined by stanchions and girders of great strength. It is said that the rails will run six metres clear above high water.

Every effort has been made to solidify and protect the piles, which have been filled with cement to give them strength, while to solidify their foundations a considerable amount of rock and stone has been dropped around their bases. This plan at first failed, it being found that the rock and stone so thrown in was immediately lost in the quicksand. To obtain the desired result, therefore, mats composed of the branches of trees strongly bound together with wire were let down around the piles, and on top of these several tons of stone have been sunk, and the process repeated until several layers have been lain around each pile. To protect them from the force of the current and from damage by boats and ice, piles of timber have been driven in on the stream side in the shape of a triangle. Everything, in fact, has been done,

and continues to be done, to ensure a successful issue that engineering skill and human ingenuity can devise.

The length of the bridge is 3·03 kilometres, and consists of 102 spans of varying length, partly "deck" and partly "through" girders. The length of the whole line is 1214 kilometres, or about 760 English miles. It is said to have been constructed at a cost of francs 125,000,000, or rather less than £7000 a mile,¹ these funds having been provided partly by the Belgian loan for £4,500,000, and partly by funds paid in compensation for damage done at the time of the Boxer troubles. It is a single track, but provision has been made for laying another set of rails when the necessity arises.

The gauge is standard (4' 8½"), and the rails, a considerable portion of which have been turned out by the Hanyang Government Iron Works, weigh approximately 85 lbs. to the yard.

The railway is finely equipped with shops at frequent intervals along the line, the principal establishments being at the Gare Fluviale, Hankow, and at Hsinhsianghsien, a few miles north of the Yellow River.

In regard to the working of the line, it has not been possible to obtain statistics, but there can be no doubt that it is capable of earning at least a reasonable return on the capital that has been expended.

The railway serves a thickly populated country of splendid possibilities. Running north from Hankow, for the first 60 or 70 miles it traverses a well-watered region of great fertility. Then, for a time, the nature of the country changes, the plain giving place to picturesque hills, for the most part clad with young fir, though here and there terraced for cultivation, and undulating valleys. Embankments and cuttings carry the line ever upward until it reaches the mouth of the tunnel, the first to be constructed in China, that pierces the Hwaiyang Mountains, dividing the Yangtze Valley from the basin of the Yellow River. At Hsinyang the plain is again reached, and for miles the line runs through an orchard country, the commencement of the Great North China Plain, stretching away to the north and the north-east beyond Peking towards the Great Wall.

The characteristic of the greater portion of this great plain is

¹ *Les Chemins de Fer en Chine*, by M. A. Disière, Acting Vice-Consul for Belgium at Tientsin, p. 16 (*Extrait du Recueil Consulaire Belge*, 1 tome, 135).

the unique development of the famous loess deposit, with its wonderful fertility, which renders North China one of the most productive of grain-producing regions in the world. It is of interest too, in that its inhabitants, at least in the southern portion, are largely cave-dwellers. "According to the varying compactness of the loess in different places, and to the amount of traffic over it," says Mr. Archibald Little in this connection, "we find that, in the course of centuries, the roads, like the rivers, have cut out ravines with vertical walls of varying depth, their floors rising and falling, and their courses winding through the country in bewildering perplexity. Along these roads, and out of their vertical walls, the inhabitants have excavated their dwellings,—originally simple caves in the loess, now developed into houses of two and three storeys with wooden doors, window frames, and inside staircases—houses warm in winter and cool in summer and marvellously free from damp!"¹ And as one travels by the railway, something of this phenomenon can be observed when approaching the south bank of the Yellow River, where a series of loess hills rise with ingeniously contrived cave-dwellings at varying attitudes in the hillsides.

To proceed, however, the line, in brief, traverses a richer country agriculturally than that traversed by the Peking-Newchwang line, and when the Pekin Syndicate's concession areas in Honan and Shansi have been developed it will serve what is thought to be one of the most inexhaustible coal-fields in the world. Furthermore, a concession has been obtained for working valuable mines at Lincheng, in the province of Chihli, in connection with the railway. Again, the importance of the two terminals must not be overlooked in estimating the factors that should make for success. In the north is the capital, with a great population, supplied to a large extent with the necessities of life from the rich plains to the south-west, while at the southern terminal lies primarily Hankow, the third treaty port in China, with Hanyang in the angle formed by the confluence of the Han River and the Yangtze, and Wuchang on the opposite bank of the Yangtze in close proximity. These three cities form together the industrial centre of China, the "Chicago of the East," as they have been called, and between them they boast several factories, including a large match factory,

¹ *The Far East*, p. 25.

antimony ore works, the Hupeh Arsenal and Small Arms factory, and the important Hanyang Government Iron and Steel Works. Furthermore, in course of time the rich province of Shensi will be reached by the branch line between Kaifengfu and the capital city of Hsianfu, so that there should be every chance of favourable development in that region.

On the other hand, the line will be subjected to some competition from the coast railway between Tientsin and Nanking, which it is believed by some will prove a serious rival; though, on the other hand, when one remembers the great undeveloped wealth of Honan and Shansi, it is difficult to subscribe to this view. There will, of course, be competition, but it will necessarily be of limited extent, as it will exist almost entirely in respect of through traffic between Peking and the Yangtze, the bulk of which, as far as the carriage of goods is concerned, must as a matter of course still remain with the steamship companies between Shanghai and Tientsin.

In conclusion, mention should be made of a chord that has been proposed between Paotingfu and Tientsin, the Belgian Syndicate being exceedingly anxious to obtain the right to construct it as a branch of the Ching-Han line. The Administration of the Imperial Railways of North China, however, are opposed to the scheme.

It is a line that in the nature of things will some day be required, and which would greatly benefit Tientsin. But at the present time there is certainly no necessity for its construction, from the railway point of view; for though the advantages to the Ching-Han railway of a connection with a northern seaport are sufficiently obvious, the present amount of traffic between Paotingfu and Tientsin over the existing lines is not sufficient to justify the outlay, from the Chinese standpoint, especially in view of the fact that the line would traverse a country supplied already with excellent water communications.

In preparation for eventualities, however, an understanding has been arrived at between the two railways, to the effect that when the time comes for the line to be built the eastern half shall be undertaken by the Northern Railway and the western by the Ching-Han Administration.

CHAPTER XII

THE HANKOW-CANTON OR YUEH-HAN RAILWAY

THE construction of a trunk line connecting Hankow, or rather Wuchang, immediately opposite Hankow, on the south bank of the Yangtze, with Canton was first advocated by Sir MacDonald Stephenson. In every subsequent scheme for a comprehensive system of railways in China such a line has occupied a prominent position. Yet though the necessity, or at least the desirableness, for its construction is so great as to be almost axiomatic, but very inconsiderable progress has as yet been made towards that end.

In 1898 a concession was granted to a powerful American combination, from whom great things were expected. After a lapse of seven years, during which time an insignificant section of the work had been undertaken, the concession has been cancelled. China is thus at the point from which she started, save that she is financially poorer by reason of having had to pay a remarkably heavy price for a few miles of railway, and for the privilege of being reinstated in her original position.

The present chapter is mainly occupied with the history of that concession. It is an instructive little story, and by no means devoid of interest. Moreover, although it is open to the criticism that it is in the nature of an argument in a circle, and from the point of view of progress virtually advances us nothing, it has nevertheless a distinct importance of its own which entitles it to careful narration. We must therefore revert to the stirring times of '97 and '98, the period of the inception of the enterprise.

It will be remembered that in 1896-97 American financiers sought to interest themselves in the Peking-Hankow Railway, but were forced to retire in the face of Belgian opposition. It is generally understood that when this occurred Director General Sheng Hsuan Huai pledged himself to give the American syndicate the concession for the Yueh-Han line. But whether this was so or not, the negotia-

tions for the southern trunk were soon brought to a satisfactory conclusion, and in December 1897 the Throne was memorialised to allow the formation of a Chinese company to undertake the construction of the road, and make arrangements for raising the necessary funds. No specific mention was made of the introduction of American capital, and only towards the end of the Memorial is any indication to be found of the intention, to which expression is given in the following somewhat cryptic language :

"There are grave objections to allowing either England, France, or Germany to undertake the work, and your Memorialists suggest that Wu Ting Fang, the Minister at Washington, should be communicated with. He is a Cantonese, and will not fail to do his best to find a scheme."

It being by this time more than ever realised by the Central Government in Peking that if China herself was unable to find the money for the construction of her railroads, the true policy was to create as nearly as possible an equal division of rights between the Powers interested, the suggestion was acceded to, Sheng and the Viceroy being in due course authorised to form a company on the required lines. Meanwhile a draft contract had been prepared and despatched to Washington for the consideration of the American Development Company, which had been formed under the auspices of Mr. Calvin Brice and others some time previously, with a view to undertaking railway enterprise in China. This contract was subsequently signed on the 18th of April 1898 by Mr. Wu Ting Fang, acting on behalf of Sheng, described in the preamble as director general of a company, formed under the name of the Chinese Railway Company, in accordance with the terms of the Imperial edict.

Under the contract¹ the American-China Development Company undertook to provide £4,000,000, the estimated sum required for the construction and equipment of the line, including rolling stock, the Chinese Government agreeing to secure the loan by the issue of 5 per cent. Imperial gold bonds at 90 per cent., the bonds themselves being secured by a first charge on the line. The bonds were to run for fifty years, subject to an option for their redemption at any time by the railway company, on terms set forth in detail in the eighth clause of the agreement. The building of the line

¹ The text of this contract is not included in the Appendices, as it is now a dead letter.

was left entirely in the hands of the Development Company, the railway company and Sheng undertaking to arrange for rights of way and other facilities and privileges necessary for the construction and operation of the system ; the only limit imposed upon the Americans in this connection was the requirement for a preference to be given to Chinese over foreign materials, when obtainable on equal terms as regards quality and price. The fourth clause provided that the Development Company should receive as remuneration for superintendence and services 5 per cent. of the entire cost of construction, except land and earth works. By way of further consideration the Development Company were to enjoy for a limited period a fifth share of the nett profits of the working of the line. Clause seven contained provision for the survey of the route as soon as possible after ratification of the contract, and for the completion of the work within three years of its being commenced.

By an addendum the reversion of the Peking-Hankow Railway, in the event of the cancellation of the agreement of the 27th of May 1897, in favour of the Belgian Syndicate, was vested in the Development Company. But this right, as things have turned out, has not proved of any value.

Within a few days of the execution of this agreement the Spanish-American War broke out, and although the ratification by the Chinese Government was soon forthcoming in the form of an Imperial edict, nothing further was done until after the conclusion of the war in the following autumn, when a survey party, under Mr. Barclay Parsons, as Chief Engineer, and Mr. Charles Denby, as Interpreter and Manager, was despatched to China. About the same time, or a little earlier, the Empress Dowager had executed her now historical *coup d'état*, for all practical purposes dethroning the Emperor Khuang Hsu and taking the reins of government into her own hands ; and the effects of this anti-reform, and consequently anti-foreign, move were beginning to make themselves felt when the party arrived in November in Shanghai. The difficulties that had to be encountered were therefore considerably greater than those originally contemplated.

At the outset the party was met with the absolute veto of the Chinese authorities, on a survey being made through the province of Hunan, and were urged to take a line through Kiangsi. There is no reason to think that this opposition was due to any obstruc-

tionist intention. Of the eighteen provinces of China, Hunan has always borne the reputation of being the most exclusive, and was at that time particularly anti-foreign. No doubt Sheng and the Viceroy, in view of the political situation, genuinely feared for the safety of the expedition. Hence the suggestion that a route should be surveyed through Kiangsi, thus avoiding the hostile province.

Mr. Parsons, however, could not agree to the proposed alteration. Although the agreement contained no provision in this regard, during all the negotiations it had invariably been contemplated that the railway would traverse the province of Hunan, which, with its valuable resources of coal and other minerals, and unexploited commercial field, promised good returns to the line that served it. Any serious deviation, therefore, from the scheme already planned was obviously impossible. On this being fully realised, an order was issued from Peking to the Governor of Hunan to allow the surveying party to enter the province under his protection, and so to remain during the whole of their journey.

The opinion of Sir MacDonald Stephenson, and the consensus of opinion since his day, has been strongly in favour of the above route, and it may be assumed that when the railway is built it will, for all practical purposes, follow the line of country surveyed by Mr. Parsons. A few observations, therefore, in this connection will not be out of place.

The first part of the route runs in a south-westerly direction, following the Yangtze for about a hundred miles when it enters Hunan, thence taking a less westerly course for about forty miles until reaching the city of Siangyin, at which point it takes a course substantially due south. The distance surveyed between Wuchang and Canton was 742 miles, including the extension to Samshui; but, in addition, a reconnaissance was made for a branch from Chuchow on the Siang River in an easterly direction for some sixty miles to the Pinghsiang coal mines, which have now been in successful operation for several years and promise considerable results when more effectively developed by the more complete substitution of foreign for native mining methods. This branch has since been constructed by the Chinese themselves.

Mr. Denby describes the country traversed by the proposed line as of singular beauty, besides being populous, fertile, and of reputed mineral wealth. The population of the province of Hunan alone is estimated by the Chinese at 22,000,000,

which Mr. Parsons calculates, after allowing a liberal margin for exaggeration, gives an average of well over 200 to the square mile. Not only so, but the most considerable cities of the province would be actually on the line of railway, while there are several places away from the direct route which would become tributary to it by means of existing water-ways.

Reference has already been made to the wealthy group of cities at what would be the northern terminal, situated at the confluence of the Yangtze and Han Rivers, and among other industrial enterprises to the Hanyang Government Iron and Steel Works. The requirements of this institution, already a market for Pinghsiang coal, which is said to produce excellent coke, are at present satisfied mainly with Japanese coal. There is, however, no desire on the part of the Chinese to give any unnecessary support to foreign industry, and it may be taken for granted that Japanese coal will be superseded by the native product as the Pinghsiang mines, in which Sheng is said to be largely interested, are more fully developed. On the other hand, in the fulness of time, when Sheng's influence has waned and passed away, there will, of course, be considerable local competition at this point between the Kiangsi and Hunan product and the Honan and Shansi coal from the Pekin Syndicate's mines, when much will depend on the qualities of the various products for industrial and steam purposes and the laying down cost at Wuchang or Hankow, as the case may be. In this latter connection the Pinghsiang coal will have the advantage of a considerably shorter haul so soon as there is a line in existence.

At the Kwangtung end of the railway is another collection of wealthy cities,—Canton, the second treaty port in China; Fatshan, the great manufacturing centre for Cantonese silver ware, with three quarters of a million inhabitants; and Samshui, a place of some importance at the junction of the West and North Rivers. Through this terminal it would be possible to put coal on the market at Hongkong for naval purposes.

Coal, however, is not the only source of wealth. The country is also rich in a great variety of agricultural products, besides showing signs of the presence of iron, copper, lead, and other minerals as yet undeveloped, but which are believed to exist in paying quantities.

Up to this point the results of the survey were extremely

encouraging. A less pleasant feature was the discovery that the country was somewhat unfavourable from an engineering point of view, and that the cost, put at £4,000,000, or a little over £5000 a mile, had been underestimated to the extent of nearly 100 per cent. It must be noted, however, that, this fact notwithstanding, Mr. Parsons was of opinion that the concession was of great value.

The Development Company therefore determined to arrange the modification of certain terms in the contract, and accordingly Mr. Cary, a member of the New York Bar, visited China to negotiate a supplementary agreement.

His task was a difficult one. Attention has already been drawn to the French ambition to control a through central trunk line, from which it resulted that, as soon as the Belgian Syndicate had succeeded in securing the concession for the Peking-Hankow line, the endeavour was made to secure similar rights in connection with the Hankow-Canton line. That policy received a severe check when the agreement with the Americans, put through very expeditiously, was entered into in April of 1898; and for the moment there was nothing to be done but await any opportunities of working themselves in that might occur in the course of subsequent developments.

When, therefore, Mr. Cary arrived in Shanghai he found the whole strength of French and Belgian forces arrayed against him, and Sheng unwilling to move in the matter. Supported, however, from Washington and Peking, he persevered, and after some considerable time had elapsed the French and Belgian opposition was withdrawn, and a supplementary agreement was concluded early in 1900, and in due course ratified by the Chinese Government. The Belgians, however, were not discomfited. Realising that Mr. Cary must ultimately win the day in Shanghai, they transferred their sphere of activity to New York, and endeavoured by the acquisition of shares to secure a controlling interest in the Development Company. As the Shanghai correspondent of *The Times* briefly put it, the method of attack was changed from "the frontal political to the flanking movement financial."

The chief provisions in the new agreement¹ were the extension

¹ The text of this agreement finds no place in the appendices, as, like the preliminary agreement, it is only interesting historically, a ground that does not justify its inclusion in view of its great length.

of the time for completion of the line from three to five years the increase in the amount of the loan for £4000 to \$40,000,000 (gold), and a restriction on assignment which, in the light of later developments, assumed an overwhelming importance. The clause in regard to this latter point ran as follows :

"The object of making this supplemental agreement of equal force with the original agreement is to permit of the benefits being transmittable by the American Company to their successors or assigns, but the Americans cannot transfer the rights of these agreements to other nations or people of other nationality."

There can be no doubt that this clause was inserted at the instance of Sheng's chief, the Viceroy Chang Chih Tung, who was beginning to feel uneasy in regard to Belgian, or rather Franco-Belgian aims, on which he wished to impose some check. Equally, no doubt, Mr. Cary fully explained to Sheng how far effect could be given to it under American company law, and that Sheng understood and agreed that the intention of the clause was to restrain the Development Company, *qua* American company under American law, from alienating its rights to a company formed and registered under the law of any other foreign country, and that it was not in contemplation to restrict freedom of dealing with shares, or in any way to limit the personnel of the shareholders. It is not equally clear that Sheng explained this point to Chang Chih Tung, wherein possibly lies the explanation of some of the trouble that subsequently arose.

To return, the supplemental agreement being now in order, there was no further obstacle in the way of making a start in the direction of raising money to undertake the work of construction. As a preliminary step, therefore, the co-operation of British capitalists was invited, in accordance with a previous arrangement.

Shortly after the preliminary contract had been arrived at, in 1898, the Development Company had discussed with the recently formed British and Chinese Corporation a union of British and American interests in China. The result had been an agreement providing *inter alia* that the Development Company should offer the corporation one-half of their interest in the Hankow-Canton line, while the former should receive an offer of a one-half interest in the line from Canton to Kowloon, for the construction of which the Corporation had recently secured a contract. Each party was

bound by the agreement to make these offers respectively to the other, but the party to whom such participation was offered had the option to accept or reject it within a reasonable time, and was to be under no obligation in the matter.

Thus was the way paved for a valuable extension of British influence in South China, and it is probable that the combination of British and American capital would have been regarded by no means unfavourably by the Chinese Government, notwithstanding the clause against alienation contained in the later agreement.

Unfortunately, however, during the period that had elapsed since the signing of this agreement the position of affairs was materially changed by the outbreak of the South African War, which rendered British capitalists cautious, inducing in them a desire to watch developments further before undertaking obligations they might find it difficult to perform, or only susceptible of performance, at the expense of enterprises with prior claims. It must not be forgotten that the British and Chinese Corporation had their hands full with the Shanghai lines which were outside the scope of the American agreement, as well as having obligations to the German Syndicate in connection with the Tientsin-Chinkiang, now the Tientsin-Nanking, Railway. Again, the time was scarcely propitious for interesting the investing public in England, whose whole attention was just then fixed on South Africa.

The invitation had therefore to be declined, and it must be admitted that it is difficult to see how consistently with prudence any other course could at that time have been adopted, especially when it is remembered that the line was to be in friendly American hands, tied by a clause against alienation to foreign nations.

American capitalists also hung back, but for quite different reasons. Shortly after the survey had commenced Senator Brice, the first president of the Development Company, had most unfortunately died. There can be no reasonable doubt that had he lived the subsequent difficulties would have been in large measure, if not entirely, avoided. A man of great wealth and remarkable character, he had been possessed of the ambition to introduce American railroads into China, and it was his energy and influence which attracted the original subscribers to the syndicate. When he died the enterprise lost its chief supporter, and amongst those associated with him was no one who shared or was able to work out his ambition. Thus, in the case of most shareholders, it

became simply a commercial transaction, the profits of which promised to mature but slowly, and consequently the Belgian aim, the acquisition of a controlling number of shares in the Development Company, became proportionately easy of attainment. The troubled state of China, due to the Boxer outbreak, contributed to the same end, so that by the time it was possible to undertake the work of construction Belgian influence had become predominant. For the present, however, for obvious reasons this fact was not allowed to become apparent.

In the autumn of 1902 the extension from Canton by way of Fatshan to Samshui was commenced, and the second survey over the main line for construction purposes was put in hand. The engineers engaged upon this undertaking were Americans, and the American character of the undertaking continued to be maintained. Towards the end of 1903 the Canton-Fatshan section was opened to traffic, and in September of the following year Samshui was reached, the whole length of railway (thirty-two miles) being opened to the public.

About this time the Belgians began to show their hands. Mr. Barclay Parsons, who had succeeded to the presidency of the Development Company on the death of Calvin Brice, was now superseded by General Whittier, the agent of the Belgian Syndicate in New York. The American manager of the company's Shanghai office was recalled, the same fate overtaking the engineers, who were superseded by Belgians.

In the spring of 1904 the Chinese began to realise the changed conditions, and an outcry was raised among the gentry of the south, while the Viceroy Chang Chih Tung, disappointed at the apparent failure of his precautions, was disposed to strong measures.

In the preceding pages enough has been said, perhaps, to make the position tolerably clear, but in order to avoid all possibility of confusion it seems desirable to review briefly the chief facts of the position.

In the first place, a distinction must be clearly drawn between the Imperial gold bonds, representing the loan, and the shares in the Development Company. In regard to the former, it is clear from the language of both agreements that it was never intended that the sale of the bonds should be confined to Wall Street. On the contrary, explicit reference was made to the requirements of the money markets of other countries besides America, and there-

fore the ownership of the bonds did not enter into the question. The real question at issue was the effect of the alienation to Belgians of shares held by private persons in the Development Company. Could it be properly held that the condition of the clause in the agreement against alienation to foreigners had been infringed?

Two points were distinctly raised. Firstly, what was the true construction of the clause in question; and, secondly, what was the effect on the American status of the company of the injection of the Belgian interest.

The view taken by both America and Belgians on the latter point, which as being more easily disposed of may be taken first, was that the presence of Belgian interests could not affect the status of the company in any way, and they contended that a company registered in America under American law must always remain an American company irrespective of the personnel of its members.

As a proposition of law this contention would appear to be indisputable, and we need not occupy ourselves with the precedents, such as the case of the Panama Railway Company, which have been freely cited in support. It does not, of course, necessarily follow that strict adherence to legal principle would in every case be maintained in the field of practical politics, but, on the other hand, it is conceived that the case would have to be a very exceptional one which would justify departure from the legal principle, otherwise a condition of affairs of considerable insecurity would immediately be created.

Turning to the point of interpretation, it was strenuously argued that the clause against alienation could only be construed as limiting the rights of transfer of the Development Company itself, and not of that company's private shareholders, whose rights, they maintained, could not be controlled in this direction by any known process of American law.

To this the Chinese replied that the intention of the clause was to keep the railway in American, and very particularly out of Belgian hands; and it was the business of the Americans to see to it that the object in view was achieved. The American answer to this was that Sheng was fully aware of and acquiesced in the interpretation now placed by the company upon the clause, the point having been explained to him with particular care by Mr. Cary when the supplemental agreement was negotiated.

The Chinese, however, resolutely refused to admit the argument. They asserted that at anyrate the spirit of the agreement had been violated, and clamoured for cancellation.

During the greater part of 1904 the battle continued to rage, and things were still in this critical stage, with all work on the line suspended, when in the following January it was announced that the Americans had regained control of the company. Thereupon the American Government gave China assurances to that effect. The *deus ex machina* was Mr. J. Pierpont Morgan, to whom was due the credit of having put the company in a position to demonstrate to the American Government the American character of the undertaking.

That the Belgians ultimately suffered defeat must be ascribed in the main to the course taken by the Russo-Japanese War. It is not probable that the Chinese would have taken up such a strong position but for the Japanese victories, and the consequent relief from Russian pressure in Peking. Again, it may be safely assumed that the Belgians would not have parted so readily with their interest had there not been a strong feeling in the minds of financiers that the day must ultimately go against Russia,—an outcome that must at least produce a redistribution of diplomatic power in Peking, which would prove unfavourable to Belgian schemes.

When it became known in China that the American element in the company had regained control, it was hoped that the Development Company were sincere in their apparent desire to secure and work the concession, and rapid developments were expected. But several months of complete inactivity followed until negotiations were entered into with the Chinese, which have since resulted in an arrangement whereby the contract was to be cancelled, such work as had been done on the line being taken over by the Chinese Government on payment of \$6,750,000 gold.

This modest sum was arrived at in the following way. The Development Company had undertaken two surveys, built 32 miles of railway through easy country, and completed about 50 miles of earthwork at the Canton end of the line. On this work they claimed to have expended the sum of \$3,000,000 gold. As compensation for the loss of valuable rights a further sum of \$3,750,000 gold was claimed, making in all \$6,750,000 gold, the amount which was finally agreed upon by both parties.

For some time it was loudly proclaimed that this sum

would be subscribed by the wealthy and patriotic Hunanese gentry, who had throughout so resolutely opposed the construction of the line with foreign capital. It appears, however, that when the psychological moment arrived the necessary funds were not forthcoming, and in consequence of this rather typical default His Excellency Chang Chih Tung was compelled to take steps to raise a foreign loan. This he succeeded in doing, arranging in the summer of 1905 to borrow £1,350,000 from the Government of the Colony of Hongkong. The loan, which is secured on the opium revenue of the provinces of Hunan Hupeh and Kwangtung, bears interest at the rate of $4\frac{1}{2}$ per cent. per annum, and is redeemable in ten years. Furthermore, it is said that an understanding exists, to the effect that in the event of foreign engineers being employed upon the railway, not less than half their number shall be of British nationality; at the same time it may be assumed that failing the completion of the line by the Chinese themselves, British capitalists will certainly not be prejudiced by reason of the accommodation that has already been afforded.

So far, however, the introduction of foreign capital has been tabooed, and for the past two years the Chinese have struggled with this tremendous enterprise, producing a sad imbroglio.

The first idea after the American China Development Company had been persuaded to retire from the field was to construct the railway as a Government undertaking. To this, however, the merchants of Canton most strenuously objected. Accordingly, H.E. Tsen, the Viceroy of the Liang Kwang, agreed to the formation of a joint stock company for the purpose of making the necessary arrangements, financial and otherwise, for carrying out the enterprise.

The results of this proceeding form a striking comment upon the theory that China is in a position to finance and construct her own railways. Capital has been subscribed,¹ shareholders' meetings have been held, and riots have ensued. Committees innumerable have been formed, producing a fertile crop of intrigues and jealousies. In the meantime all further progress is indefinitely stayed.

In contrast to this discouraging state of affairs, it is pleasant to draw attention, before bringing the present chapter to a con-

¹ Shares have been issued representing \$40,000,000, on which 20 per cent., producing \$8,000,000, has been paid up.

clusion, to what is known as the Pinghsiang branch. It will be remembered that although no provision was made for this line in the preliminary agreement, the route was surveyed by Mr. Barclay Parsons, with Sheng's approval, from the coal mines to the Hsiang River, a navigable tributary of the Yangtze.

In these circumstances it was included in the concession by the supplemental agreement. It was, however, extremely desirable that this line should be immediately constructed with a view to making the coalmines more accessible to their market at Wuchang and Hanyang. Prior, therefore, to the execution of the agreement, arrangements had been made with the late Captain Rich for the construction of the line with Chinese capital by way of Liling to Chuchow, and part had been constructed at the time the agreement was finally settled. In consequence of this it was provided that the Development Company should have the right to take over the part constructed on or before the 1st of September 1900, and to continue the work. This, however, was not done, primarily owing to the Boxer trouble, and subsequently the Chinese resumed the work of construction themselves, the line, which is 66 miles in length, being completed in the course of last year.

Thus the activity of the Chinese compared by no means unfavourably with that of the American China Development Company, which certainly failed to sustain the reputation for energy usually associated with American enterprise. It is to be regretted, for a great opportunity of extending Anglo-Saxon influence offered, and the American failure to accept it has been accompanied by a corresponding loss of prestige. Unfortunately, the consequences of the effect produced in the Chinese mind are not confined to American undertakings ; they react unfavourably on all forms of foreign enterprise. The policy at the present of the officials of the Wai Wu Pu is not only to refuse the grant of concessions to foreigners, on the ground that such grants are not in the best interests of China, but to avail themselves of any excuse to avoid completing arrangements that have been settled in principle in some instances for many years. This *non possumus* attitude is due primarily to other causes, but it cannot be denied that the history of this concession affords an unfortunate illustration of the proposition they seek to substantiate.

CHAPTER XIII

THE PEKIN SYNDICATE RAILWAY

A MONG those who visited China after the conclusion of the Chino-Japanese War, with a view to taking observations, was the Commendatore Angelo Luzatti, who arrived in Peking in 1896, and took up his quarters in the Italian Legation.

After a period of unobtrusive inquiry and quiet study of the state of affairs then prevailing, Mr. Luzatti returned to Europe with no one clearly defined project in his mind, but immensely impressed with the many possibilities of the situation. These impressions he succeeded in imparting to others, and in the spring of 1897 an Anglo-Italian combination was formed in London with a capital of £20,000, and registered under English law as the Pekin Syndicate Limited. Mr. Luzatti then returned to China well furnished with the sinews of war.

The Syndicate, which had taken care to be prepared for all emergencies by endowing itself with the widest powers in a great variety of directions, primarily aimed at securing mining concessions, and the highly mineralised province of Shansi shortly became the immediate object of Mr. Luzatti's attentions. This gentleman had now secured the services of an able lieutenant in the person of Mr. Ma Kie Chong, an English and French-speaking Chinese, who had spent some years as secretary of Legation in London, and was of sufficient standing¹ to have the entrée into Chinese official circles.

The mineral wealth of Shansi has long been known. In 1870 Baron von Richthofen made a geologic reconnaissance of the province, and formed conclusions which have been confirmed by

¹ He held the rank of Taotai, and at one period of his career had been Director of the China Merchants Steam Navigation Company.

subsequent observers. Their nature may be gathered from the following extract from his book on China :

" Professor Dana, in comparing the proportions in which in different countries the area of the coal land is to the total area, says that the State of Pennsylvania leads the world, its area of 43,960 square miles embracing 20,000 of coal land. It is very probable that on a closer examination the province of Shansi in China, with an area of about 55,000 square miles, will take the palm from Pennsylvania by a considerably more favourable proportion. But this is not yet all the advantage on the side of the Chinese coal-fields. Another is afforded in the ease and cheapness with which coal can be extracted on a large scale. There are several mines where the finest anthracite, apparently equal to the best Pennsylvania, is sold at one shilling per ton, all of it lumps of several cubic feet in size."

After a year of hard work and the lavish expenditure of money Mr. Luzatti negotiated an agreement whereby the Syndicate acquired the sole right for sixty years to open and work coal and iron mines and petroleum deposits wherever found, throughout certain specified districts and prefectures, in this richly endowed province. The agreement was signed in Peking on the 21st of May 1898, and duly ratified by the Tsung-li Yamen, acting under Imperial edict issued a few days previously. Just a month later a contract on similar terms was signed, extending the Syndicate's rights over that part of the contiguous province of Honan situated north of the Yellow River. Thus taking the Yangtze as a dividing line, the area covered by the concession lies about the centre of North China, at the lower end of the roughly rectangular portion of country formed by the Yellow River on the west and south, the borders of the provinces of Shansi and Honan on the east, and on the north by the Great Wall. It is triangular in shape, with its base on the Yellow River, and is traversed in the south-east by the Ching-Han Railway. Water communication exists to Shantung by the Yellow River, and by the Wei River and Grand Canal to Tientsin. In the north the concession area is crossed by the Chengtingfu-Taiyuanfu Railway, under construction by the Russo-Chinese Bank, and both on this and the Ching-Han line most favoured rates have been secured by the Syndicate.

The grant of the concession having been obtained, the capital of the Syndicate was immediately increased to £1,520,000 by the issue of 1,500,000 £1 shares, known as the Shansi shares, and in the following year an expedition was sent out, under Mr. J. H. G.

Glass, C.I.E., to ascertain, in the first place, if the coal-fields and iron ore deposits were of the extent and value represented, and if petroleum existed as had been reported.¹ Secondly, observations were to be directed to ascertaining how far it was feasible to construct railways connecting the mines with navigable waters for the transport of the products to suitable marts; and rough surveys and estimates for the construction of such lines, as local conditions indicated as most desirable, were also to be made.

The clause in the agreements in virtue of which these surveys were undertaken is in each case the seventeenth, which *mutatis mutandis* are in identical terms:

"Whenever it may be necessary for any mine to make roads, build bridges, open or deepen rivers or canals, or construct branch railways to connect with main lines or with water navigation to facilitate transport of Shansi coal, iron, and all other mineral products from the province, the Syndicate, on reporting to the Governor of Shansi, is authorised to proceed with the works, using its own capital without asking for Government funds."

This clause has been interpreted as giving the right to construct a railway from the coal-fields, not only to the nearest convenient head or navigation leading to the Yangtze, but even to the Yangtze itself. Consequently, Mr. Glass's expedition first made surveys through Southern Honan to Siangyang on the Han River, but, finding an insufficient depth of water at that place, surveyed for a line to Pukou opposite Nanking on the Yangtze, which they ultimately recommended as the southern objective of the Syndicate. Surveys were also made for a line connecting Taokou in North-eastern Honan, head of navigation on the Wei River, and Tzechoufu in Shansi, one of the richest coal areas in the concession.

With the expedition's report before them, the directors of the

¹ On this point the expedition reported in November 1899 as follows: "Observations tend to show that the account given by Baron von Richthofen of the mineral wealth of Shansi in coal and iron may be accepted as absolutely true. On our journey from the north of Shansi to the south, coal was in evidence everywhere. If we did not see it cropping out at the sides of hills and in the valleys it was still in evidence, for it was being carried on the backs of mules and donkeys to distant markets. At all the towns in the coal regions it is freely used by the people, and at every inn we stopped at it is used for cooking and general purposes. It emits practically no smoke, has a slight but clear flame, does not alter much in form, and leaves very little ash."

Syndicate decided to commence with the construction of the railway between Tzechoufu and Taokou, and to postpone construction in any other direction to a future time. A contract for the construction of the railway was accordingly made with Messrs. Pearson & Sons Limited, and mining and railway engineers were despatched to Honan in 1900. They had hardly arrived, however, when the Boxer outbreak occurred, and a hurried retreat south to the Yangtze had to be effected.

A delay of two years ensued until 1902, when it was deemed possible to recommence operations in the interior. Work on the railway was commenced at once, and a mining camp was formed at a place called Jamiesen, which has since become popularly known as Jamieson Town, after Mr. George Jamieson, G.M.G., late Agent-General of the Company, and formerly Consul-General at Shanghai.

Jamiesen is situated in the Chinghua coal-field in Northern Honan, which it had been decided to develop before commencing at Tzechoufu in Shansi. The railway scheme was consequently modified, it being considered that present requirements would be met by a line from Taokou to Pashan, a point on the projected route some 35 miles short of the ultimate objective. Starting from the latter place, it proceeds to Hsinhsianghsien by way of Weihuifu, where it is crossed by the Ching-Han line carried on a viaduct, with which connection is made by a short branch. Thence it proceeds through Jamiesen to Pashan in the centre of the Chinghua coal-field. Up to this point the line runs almost due east and west, but there it will take an abrupt turn northwards when continued to Tzechoufu.

The line was completed to Pashan, a distance of $90\frac{1}{2}$ miles from Taokou in 1905. It is a single track of 75-pound rails, and has been well constructed under the original direction of Mr. R. I. Money, and latterly of Mr. T. J. Bourne, at a total cost of rather under £7000 per mile.

At present the line has a small passenger traffic, which will doubtless increase as the country becomes opened up. In the nature of things, however, it must be many years before it becomes really anything more than a mineral line, and only when the Chinghua coal-field has been developed in accordance with the plans of the Syndicate is it possible that the line may pay a moderate return on the capital invested.

By an agreement¹ made in July 1905, between the Syndicate and the Chinese Government, the latter agreed to take over the line from the Syndicate at a price to be satisfied in gold bonds bearing interest at the rate of 5 per cent. per annum, the line remaining for all practical purposes under the control of the Syndicate until the bonds have been redeemed.

In order to bring the conditions into harmony with those under which other Chinese railways have been constructed, the sum of £614,600, which has been actually expended on the construction of the line, is treated as though it represented the proceeds of a loan underwritten by the Syndicate at ninety. The nominal amount of the supposed loan is £700,000, effect being given to the arrangement in the second clause of the agreement as follows :

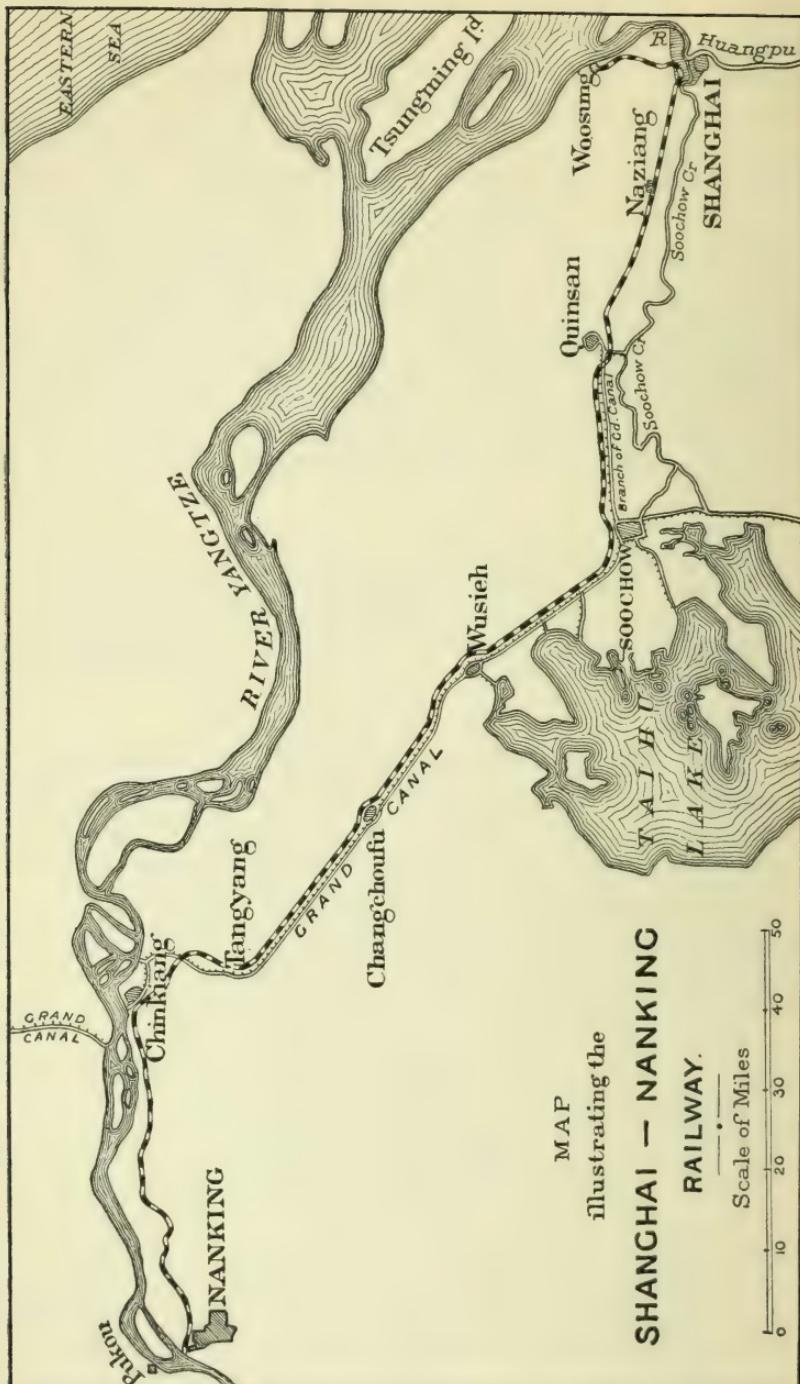
"Out of the above amount of £700,000 there will be issued to the Syndicate 6829 bonds of £100 each, which the Syndicate takes firm at the price of 90 per cent. of face value, equivalent to £614,600 cash, in order to refund the above amount of capital. This will be done on the day when the line is handed over to China, and interest on the bonds will accrue from date of issue."

The loan is to run for thirty years, and to be redeemed by annual drawings commencing in 1916. It is secured by a first mortgage on the line, and guaranteed by the Imperial Chinese Government. As regards working arrangements, the line has been formally handed over to Sheng Ta-jen, Director General of the Chinese Railway Administration, but it will continue to be operated by the Syndicate, provision for the remuneration of their services in this connection being made by the sixth clause of the working agreement.

"The Pekin Syndicate, during the time of this contract for the working of the line, shall be entitled to receive from the Imperial Chinese Railway Administration, on making up the yearly accounts, 90 per cent. of the surplus profits of each year. By surplus profits is meant what is left over after providing for payment of interest and redemption of capital."

The agreement—which affords a remarkable illustration of the Chinese dislike of foreign-owned railways in the country, and their desire to secure wherever possible at least a theoretic control regardless of cost—is extraordinarily favourable to the

¹ There are two agreements, a loan contract and a working agreement. See Appendix C., Nos. 1 and 2.



Syndicate. In virtue of it the repayment of the cost of the line and a fair rate of interest in the meantime on the capital expended has been secured, whereas, under the original agreement, the Syndicate was to build the line and hold it for sixty years, when it would be taken over by the Chinese Government without payment or compensation of any kind.

The agreement also made provision for the continuation of the line northward from Pashan to Tzechoufu in the following terms :

"The line from Taokou to Tsechou is divided into two sections, the first from Taokou to the neighbourhood of Chinghua Chen, a distance of 90½ miles; the second section is from Chinghua Chen to the neighbourhood of Tsechou in Shansi, a distance of 38 miles more or less. The construction of the first section has been undertaken by the Pekin Syndicate, and is now approaching completion. The present agreement deals specially with the first section from Taokou to Chinghua Chen. As regards the second section, it is agreed that hereafter, when the Pekin Syndicate has fixed a date for opening mines in the neighbourhood of Tsechou, a supplementary agreement will be drawn up between the Director General and the Pekin Syndicate to provide funds for construction, etc., of this section on terms in conformity with those of the present agreement for the Taokou to Chinghua line, and on the basis of the Russian Cheng-Tai Railway Agreement, said terms to be settled at their discretion."

Beyond this, however, extensions need not be expected in the near future. The Syndicate's markets will be the country served by the Ching-Han Railway, more particularly from the Yellow River southward to Hankow, and the western and southern parts of the provinces of Shantung and Chihli respectively, now in communication with the coal-fields by means of the Syndicate's railways making connection, as has been seen, with the Ching-Han line, in the first instance, and ultimately with Taokou, the head of navigation of the Wei River.

A conservative estimate puts the population of the area thus made accessible for the Syndicate's coal at 50,000,000, and it is expected that as soon as coal is available¹ sales will also take place for shipping purposes at Tientsin and Hankow. In the development of these markets the Syndicate should find sufficient scope for some years.

¹ The mining operations of the Syndicate in Honan have been attended by a series of singular misfortunes, and difficulties have been experienced in dealing with the people of Shansi. There can be no doubt, however, as to the intrinsic value of the concessions.

Whether or not the projected line to Pukou will ever be constructed depends in the main on the developments that take place, consequent on an arrangement which was recently come to between the Syndicate and the British and Chinese Corporation. The latter, it will be remembered, in addition to their concessions for railways emanating from Shanghai and their interest in the Tientsin-Nanking Railway, have the right to construct a line from Pukou, opposite Nanking, to Hsinyang, a point on the Ching-Han line, between the Yellow River and Hankow, with which the Syndicate's proposed line would seriously compete. This and other considerations led to an amalgamation of the two companies for all future railroad development north of the Yangtze. The Syndicate, however, has not in any sense abandoned its rights, which have been clearly recognised by the Chinese Government in this connection, and Pukou, as a possible objective, is still kept in view; though probably, in the event of the construction of the Pukou-Hsinyang line, some point on the British section of the Tientsin-Nanking Railway, that is to say the section between Shantung and the Yangtze, would be selected as the terminal of any future line from the concession area in Northern Honan and Shansi.

CHAPTER XIV

THE YANGTZE VALLEY SYSTEM

THE present chapter is primarily concerned with the Shanghai-Nanking Railway. Some mention, however, will be made of the concessions which have been granted to the British and Chinese Corporation for lines from Shanghai by way of Soochow to Hangchow and Ningpo, and from Pukou, on the north bank of the Yangtze opposite Nanking, to Hsinyang, a point on the Peking-Hankow Railway about 170 miles north of Hankow; while, in conclusion, the lines under construction or projected by the Chinese, in particular that between Hankow and Chengtu, the capital city of the province of Szechuen, will also receive attention.

At first sight it seems perhaps rather early days to speak of a Yangtze Valley system. Neither the term, however, nor the idea is a new one. Sir MacDonald Stephenson dreamed of such a system, and in more modern times, in connection with Chinese railway development, the Yangtze Valley system has not infrequently been referred to. Moreover, it is the correct term with which to indicate the scope of the present chapter, for when the lines projected in the Yangtze Valley region have been constructed such a system will have been brought into existence.

It is interesting to compare the present scheme with the proposals of Sir MacDonald Stephenson. The latter suggested a line through Soochow to Nanking, following approximately the route taken by the present Shanghai-Nanking Railway. At Nanking the river was to be crossed and the line continued along the north bank until the province of Yunnan was reached. Here it was to recross the river and to traverse the heart of Yunnan, making a great bend from the north-east to the south-west, and then pursuing a westerly route to link up with the Indian system.

The present scheme is less ambitious and more practicable. The route will be the same as far as Nanking, whence, starting

from Pukou on the opposite bank of the river, it will run across country to Hsinyang. Between Hsinyang and Hankow the Ching-Han line will be utilised. From Hankow the system will be continued due west across country to Ichang, and thence, according to present ideas, by way of Wanhsien to the Chengtu plateau, in the rich "Red Basin" of Szechuen. In the fulness of time, doubtless, there will also be a branch from Wanhsien to the Treaty Port of Chungking, destined to become the Saint Louis of the Far East, if we may believe Wells Williams' prophecy.

The advantages of thus putting Hankow and the Upper Yangtze in rail communication cannot be too strongly dwelt upon. The Yangtze is navigable up to the Treaty Port of Ichang, 400 miles above Hankow, Ichang being the extreme westward limit of steam transport for merchandise. At this point the rapids commence, and though steamers have from time to time succeeded in reaching Chungking, unless the conditions are very favourable this is impossible without external aid. The navigation of the Upper Yangtze, from Ichang to Chungking and on to Suifu and Pingshan, fifty miles above the last-named place, and the head of navigation of the river, is by junks, which are hauled up the rapids at enormous cost of labour and time, and not without considerable risk of loss and damage to cargo. The descent, of course, can be sufficiently rapidly accomplished, but it is attended by similar risk of damage and loss of cargo, while at certain times of the year the river above Ichang is virtually unnavigable, so that native merchants prefer to entrust opium and other valuable cargo to porters rather than to take their chances of its safe transit by water.

The general effect of the difficulty of navigation of the Upper Yangtze is to prevent the natural development of Szechuen, a province whose wealth and resources have been described by Mr., now Sir Alexander, Hosie as unrivalled in any quarter of the globe. Similarly, the country still farther west also suffers from the heavy tax in money, time, and risk imposed by the Yangtze gorges. Thus the necessity for the construction of a line which will bring these regions, and more particularly the province of Szechuen, into communication with the outside world is obvious.

The construction of the line proposed between Hankow and Chengtu would go far towards meeting this requirement. The former place, though nearly 700 miles from the sea, is virtually a seaport, for the Yangtze at this point is a magnificent stream,

more than a mile in width, rendering Hankow accessible to sea-going steamers.

The necessity for the middle link in the system, the line between Pukou and Hsinyang, is not so urgent, but its utility in opening up a very rich part of the country is sufficiently obvious.

Similarly the line known as the Shanghai-Hangchow-Ningpo Railway offers great commercial possibilities, but is of secondary importance to the railway that is to link up Shanghai, Soochow, Chinkiang, and Nanking, the southern capital of the empire, of which it is in reality a branch leaving the main line at Soochow.

The foundation of the Yangtze Valley system was laid by His Excellency Chang Chih Tung when, on the conclusion of the Chino-Japanese War, he advocated the adoption of his revised railway scheme, which included a line between Shanghai and Soochow.

The first section of the system to be constructed was that between Shanghai and Woosung, a distance of $10\frac{1}{2}$ miles, which was built at the instance of Sheng Kung-Pao with Chinese capital, the work being undertaken simultaneously with the construction of the northern section of the Ching-Han Railway between Lukouchiao and Paotingfu. It was completed in the autumn of 1898.

Meanwhile, in view of the railway activity that was taking place, the British and Chinese Corporation had been formed in London by the Hongkong and Shanghai Bank and Messrs. Jardine, Matheson & Company, and negotiations had been entered upon for a concession to build a railway between Shanghai and Nanking.

The assistance of the British Government was asked for early in April, and later in the same month the demands of the French Government for rights in the south of China were made the occasion of representations being made to the Tsung-li Yamen by the British Minister in Peking for the grant of the concession which the syndicate had in view. The Tsung-li Yamen assented in principle, and the negotiations, which were being carried on in Shanghai, terminated favourably on the 13th of May 1898, in the signature of a preliminary agreement. Three months later what was regarded as "the Chinese Government's breach of faith in the Luhan affair" was availed of to arrange *inter alia* the concessions for the Shanghai-Hangchow-Ningpo and the Pukou-Hsinyang lines.

In the spring of 1899 an extension was proposed from Hangchow to Kuangsin in the province of Kiangsi, with a view to linking up ultimately, by way of Nanchang with Changsha, the capital of

Hunan, on the route proposed to be followed by the Hankow-Canton line. The application, however, was rejected, and nothing further was done in the matter.

At this point a delay of about three years occurred, due in the main to the Boxer troubles, and it was not until the autumn of 1902 that negotiations were entered into with a view to putting these matters on a working basis.

It had now been decided by the British and Chinese Corporation to confine their attention in the first instance to the Shanghai-Nanking Railway as being of primary importance, and after a certain number of vexatious delays a final agreement was concluded in July 1903,¹ the Imperial edict authorising H.E. Sheng to make the necessary arrangements in this connection having been obtained towards the close of the previous year.

This agreement provided for a loan up to £3,250,000, secured by Imperial bonds similar in form to those of the 1899 gold loan with respect of the Imperial railways of North China, the loan to be taken up by the Corporation at 90 per cent. and to carry interest at 5 per cent. per annum. Its duration is fifty years, but it is redeemable at $102\frac{1}{2}$ per cent. after twelve and a half years, and at par after twenty-five years from the date of issue.

The twenty-third article of the agreement makes provision for the Shanghai-Woosung section to be taken over at a price of taels 1,000,000, as part of the Shanghai-Nanking system. The loan is secured by a first mortgage on the whole undertaking—land, materials, rolling stock, and revenue,—the British and Chinese Corporation being appointed trustees for the bondholders.

The construction and operation of the line during the existence of the loan is in the hands of a board of five commissioners, one of whom is appointed by the Director-General of Railways, and one by the Director-General in consultation with the high provincial authorities. Two British members are appointed by the Corporation, and the Engineer-in-chief is appointed on the nomination of the Corporation by the Director-General. The appointment of the staff is left in the hands of this board.

On the conclusion of the contract the first thing to be determined was the amount of the first issue of bonds. The survey of the line was accordingly taken in hand, Mr. Collinson being appointed Engineer-in-chief. Estimates for a double track between

¹ Appendix D.

Shanghai and Soochow, and for a single track beyond the last-named place, were subsequently prepared.

In addition to the sums required for the construction and equipment of the line, a million taels, equivalent to £125,000, was required as the price of the Shanghai-Woosung section, to which allusion has already been made, and advances up to £250,000 had to be made to the Chinese authorities in order to secure the necessary land. It was eventually decided to issue bonds for £2,250,000, which it was estimated by the consulting engineers, Sir John Wolfe-Barry and Messrs. G. J. Morrison¹ and A. J. Barry, would cover the cost of the Woosung line, advances for land, and the construction and equipment of the line from Shanghai to Wusieh, some twenty-eight miles beyond Soochow. It was proposed to construct the section between Shanghai and Soochow for a double line, but in the first instance only to lay a single line of rails. From Soochow to Wusieh was to be a single track, and from that place onwards to Nanking it would be the same. Provision was also made by the engineers for the work on certain important bridges and tunnels on the remaining portion of the line to be proceeded with immediately, in order to prevent the delay that would occur in the opening of the whole railway if their construction was not early taken in hand.

These matters having been decided, bonds to the extent of two and a quarter millions were issued in London in July 1904. In the following autumn the construction of earthworks was taken in hand.

In the initial stages the progress was extremely slow, owing, primarily, to H.E. Sheng's failure to observe his obligations in the matter of the purchase of land and the removal of graves. Secondly, much trouble was caused by combinations to maintain the price of labour and materials.

The details of these matters are important, as showing the attitude that is characteristic of some Chinese officials occupying

¹ It is interesting to note among the consulting engineers of the railway at that time the name of the late Mr. Gabriel James Morrison, the engineer of the old Woosung road (*vide* Chap. II.). Mr. Morrison died in February 1905, but he had the satisfaction of living to see a new Woosung line constructed just twenty years after the earlier one had been destroyed, and also of taking a leading part in connection with the larger project. The first locomotive on the Shanghai-Nanking Railway has been appropriately named the Gabriel James Morrison, as a tribute to his memory.

exalted places and bearing the reputation of a considerable degree of enlightenment. The idea of disinterested work in the cause of progress would appear to be foreign to them. It is recognised apparently that progress must come, and by the skilful manipulation of an obstructionist policy they seem to force it to subserve their own ambitions. It is thus that China's advance is retarded, and such things as are accomplished are often rendered unnecessarily costly.

The Shanghai correspondent of *The Times*, who is usually well informed on these matters, some time since described the *modus operandi* of certain interested persons in connection with this railway. His observations throw an interesting light on the tactics that have been employed, and no apology is needed for in part reproducing them.

"By the terms of the contract Sheng Ta-jen received £250,000, in return for which he is bound to acquire all necessary land, and to obtain the removal of graves within the limits required by the railway. At the beginning of March,¹ eighteen months after the arrival of the engineering staff, only 38 miles of the total length had been acquired, and this in isolated sections; but since then matters have advanced more rapidly. The construction of the first earthworks began in October,² and now proceeds as the land is handed over; it is therefore evident that future progress will depend chiefly on Sheng's performance of his duties. He promised to give the company full possession of all the land as far as Soochow before April, and thence to Wusieh before June; but hitherto continuous pressure has not succeeded in securing the fulfilment of this official's promises. In the meanwhile it is interesting to observe that, so soon as the survey of any section is completed and the line definitely located, a Chinese syndicate—of which Sheng Ta-jen's son is the reputed head—purchases the land, wherever possible, from the agricultural owners and holds it against the railway company, claiming a large advance on the market value. (The price paid for agricultural land, compulsorily acquired, varies between £20 and £40 per acre.) These operations primarily concern the Chinese Government; but, as they delay construction work and thus increase the ultimate cost of the railway, they concern also the concessionnaires, to whom Sheng frequently appeals for more funds to meet "unexpected contingencies." At the Shanghai terminus, in particular, the necessary land has been so effectively "cornered," and is held at such high prices, that the position of the station may have yet to be altered, and in any case cannot be completed before the opening to Soochow takes place. The humorous side of the matter is thrown into relief when we remember that this is a Chinese Government Railway, and that Sheng and the Chinese Commissioners on the Board of Construction are ostensibly carrying out the work with economy and despatch.

"Another source of difficulty lies in the removal of graves. This is a

¹ 1905.

² 1904.

question which presents itself everywhere in China ; but in the country between Shanghai and Wusieh it is unusually prominent, because the line runs through what might be well described as a continuous graveyard. Tombs and family burying-grounds, frequently of great size, are scattered haphazard throughout the highly cultivated fields ; many have been removed during the past year, but even on the land already handed over an enormous number remain, and for these gaps have to be left in the embankments. For each grave's removal compensation has to be paid at rates varying between 10s. and £1 ; and as this business is also transacted by Sheng's staff, it presents a continual cause of friction and delay. So-called benevolent societies have been formed at various centres, and collect subscriptions with the ostensibly pious object of removing the remains of the numerous departed Chinese who left no descendants to practise for them the rites of filial piety. The Tai-ping rebellion left many such cases in its track. These societies employ coolies to collect the bones, which are then reverently placed in a Devoe's kerosene packing-case or other equally inexpensive receptacle, and thereafter deposited on the nearest piece of waste land, the society's work being confined to claiming and getting the compensation per set of bones collected. The smallest remains will suffice to justify a claim, and unidentified ancestors are therefore in demand all along the line. It is reported, though difficult to prove, that the Chinese members of the Board of Commissioners and other local mandarins have been prominently connected with the "benevolent" societies. . . .

"Another interesting example of Chinese official methods came to light when the construction of bridges was begun. The corporation soon discovered that a completely organised "corner" had been formed by the Chinese to control the supply of skilled labour and of bricks. So effective was this "combine" that considerable time elapsed before work could be done at anything like reasonable prices ; and one of the consulting engineers (Mr. A. J. Barry) has therefore recently made arrangements for the establishment of independent brickyards and the importation of labour from Tientsin. In the meanwhile the construction of all bridges as far as Wusieh has been contracted for.

"A similar 'corner' was subsequently organised to command the supply of ballast ; the native syndicate in this case has acquired control of all the existing quarries at Soochow, and even extended its operations to Ningpo. Popular report even credited the Chinese members of the Board of Commissioners with a benevolent interest in these 'corners.' At an early stage of the local negotiations, after the signature of the final agreement, the Chinese claimed that no contracts for construction work should be made except through a native official who claimed the title of 'Director of Contracts.' The organisation of 'corners' followed upon the collapse of this preposterous proposal."

Since these remarks were made the question of the site for the Shanghai station has been satisfactorily settled, the railway now being connected in Shanghai with the previously constructed Woosung line. From Shanghai the route proceeds due west by

way of Soochow, approximately sixty miles distant, and running parallel with the Grand Canal, proceeds through Wusieh to Chinkiang and thence to Nanking.

At the time of writing, notwithstanding the difficulties that have had to be surmounted, considerable progress has been made. In November 1904 the first section of twelve miles between Shanghai and Naziang was opened to public traffic, being followed in July 1906 by the opening of the Naziang-Soochow-Wusieh section, representing a distance of 70 miles. The sections beyond this point are well advanced, and it is hoped that Nanking will be reached in the early part of 1908.

The total length of the railway when completed will be approximately 200 miles. It is being thoroughly well constructed, and will in every respect be a first-class line. The ultimate cost to the Chinese Government, it is estimated, will be in the neighbourhood of £15,000 a mile.¹ In comparison with the Imperial railways of North China this sounds a large figure. It must be remembered, however, that the work is being carried out under more difficult conditions than were those under which the northern line was constructed. Furthermore, though the line presents no serious engineering difficulties, the nature of the country renders construction costly.

A considerable bridge was required and has now been constructed over the Taitsan Creek, near Quinsan, General Gordon's headquarters in 1863, and some 32 miles from Shanghai. In addition to this the presence of innumerable creeks have necessitated a large number of minor bridges, allowing sufficient head room for boat traffic, while in the neighbourhood of Chinkiang and on the section between that place and Nanking, which crosses hilly country, a tunnel and several cuttings, already in an advanced stage of construction, have been required.

Commercially speaking, however, the prospects of the line are

¹ The first issue was of bonds representing £2,250,000, and a second issue for £650,000 has been necessary to provide funds for the completion of the line. The arrangement of this second issue, though it should have followed as a matter of course from the terms of the loan agreement, which made distinct provision for two issues (cf. Appendix D), proved a difficult matter. Only after long negotiations was it agreed that the issue should be made at a price of 95½ per cent. to the Corporation as opposed to 90 per cent. provided for by the loan agreement,—the most favourable terms ever obtained by China. The issue was made in London in January 1907, the loan being successfully floated at par.

favourable, and it should prove one of the most valuable of the Chinese Government railways. The country which it serves is populous and wealthy. The province of Kiangsu, within which the whole length of railway is included, is nearly all composed of alluvial deposit, which has, during past ages, been washed down by the Yangtze. "This soil is extremely fertile, and produces as many as three crops in the year, its cultivation being given over to the production of silk, cotton, and rice. It was from the prosperity of this province that the early explorers obtained their first inkling of the wealth and resources of the Celestial Empire."¹ Again, Shanghai, the greatest centre of commercial activity in China, Soochow, Chinkiang, and Nanking, the three chief Chinese cities of the province, which are also Treaty Ports, and Wusieh, the centre of the silk industry, are all on the line of railway; while between Shanghai and Soochow, a distance of 57 miles, the railway passes a town or village every 500 feet within a quarter of a mile of its centre line.

Turning now to the concessions for the other two railways, the Shanghai-Hangchow-Ningpo and Pukou-Hsinyang lines, it is to be noted that demands are being made by the Chinese Government for their cancellation. This, however, is the case with all existing concessions, in accordance with the policy which is being forced upon the Central Government by the action of the local gentry, who profess to see in railways constructed by foreign capital the insidious extension of foreign influence, and freely state their willingness themselves to supply the necessary funds in order to undertake these works. It is not probable, however, that any rights which have been granted will be readily relinquished, and it may be anticipated that efforts will be made to put these concessions also in order as soon as the present undertaking has been completed.

Like the Shanghai-Nanking Railway, they also present sound commercial possibilities, and it is to be hoped that nothing will supervene to prevent their speedy construction.

The length of the Shanghai-Hangchow-Ningpo, or more correctly the Soochow-Hangchow-Ningpo, line will be about 200 miles, while the distance between Pukou and Hsinyang is about 270 miles. Both railways are included in the arrangement described in the preceding chapter between the Pekin Syndicate and the British

¹ *China in Decay*, Alexis Krausse, p. 282.

and Chinese Corporation and the French and Belgian groups, and they will therefore be in part financed by European capital, instead of by British capital solely, as was originally intended.

In connection with the Shanghai-Hangchow-Ningpo line mention should be made of a connection recently commenced between Wuhu, a Treaty Port on the Yangtze, and Hangchow. Unfortunately but little is known of the circumstances of the inception or conditions of the enterprise. It is said, however, to have been undertaken at the instance of a son of the late Li Hung Chang, who has of recent years retired to the Li family's native province of Anhui. The line is being constructed as a purely Chinese enterprise, and if properly managed should prove a profitable undertaking. It serves a country which Mr. Little has described as "the richest rice-producing region in China,"¹ and Wuhu is the chief port from which rice is exported to other parts of China. The length of the line will be about 150 miles.

Referring now to the line projected by the Chinese Government between Hankow and Chengtu, according to present arrangements its construction is to be undertaken by a local Chinese combination. But failing construction by the Chinese, the line was some time since earmarked in favour of the Central Chinese Railways Limited, which at that time was purely a British concern, and such rights as exist are now enjoyed by this company in its newly assumed international form.

It is impossible, however, to speak with any certainty as to what is likely to occur in respect of this railway. It will traverse difficult country. Chinese capital, especially to the extent that will be required, is not likely to be forthcoming; while the local officials are strongly opposed to the introduction of foreign capital or to admitting the assistance of foreign engineers.

His Excellency Hsiliang, Viceroy of Szechuen, recently memorialised the Throne, proposing the imposition of a grain tax of 3 per cent. and other taxes in order to raise the necessary capital—proposals which will scarcely bring the line into popularity with the people of the province. Apparently, however, they have now been in the main approved by the Waiwupu and the Boards of Commerce and Revenue, though beyond this nothing has as yet been done.

The conjecture may, perhaps, be hazarded that the line, notwithstanding the fact that it is most urgently needed, will not be

¹ *The Far East*, p. 102.

constructed in the immediate future, and that when it does come to be built the work will be undertaken not by Chinese but by the international combination already alluded to.

In conclusion, one general observation may be made in regard to the Yangtze Valley and the developments of the future. It may have been noticeable in the preceding pages that no special stress has been laid upon the resources of this region, which comprises rather more than one-third of the area and approximately one-half of the population of the eighteen provinces of China Proper. It seemed scarcely necessary, however, to elaborate accepted facts. Travellers, missionaries, merchants, customs and consular officials, all have combined to establish the vast possibilities of development in the basin of this great river. Innumerable volumes and official reports, the labours of careful observers, bear practically unanimous testimony to these things. The potential wealth of the Yangtze Valley has in fact become axiomatic.

The certain success of railway enterprise in such a country would appear to follow as a matter of course. Though the Yangtze is a magnificent waterway, even with its splendid tributaries it cannot serve, save as a main artery of commerce, the needs of an area of more than half a million square miles with a population of 180,000,000 souls. A wise subsidiary development of railways is necessary, and it is on lines of subsidiary utility that the railway development of the future should proceed. Of this theory no better illustration could be found than in the two projected lines between Hankow and Chengtu and Pukou and Hsinyang respectively. The former will prove a remedy for the difficulties and dangers of navigation above Ichang, and will facilitate the transport of goods from the remote interior to navigable waters; while the latter, running for the greater part of its length roughly parallel to the river, but sufficiently far distant, as in nowise to compete with it, will bring rich stretches of country into rapid and cheap communication with the great waterway. In the trade interests of the Chinese and foreigners alike, and in the revenue interest of the Chinese Government, it is to be hoped that the minimum of delay will be allowed to occur in constructing these two important trunks. The need for them is obvious, while their potentialities as agencies of development of regions of great promise cannot well be overestimated.

CHAPTER XV

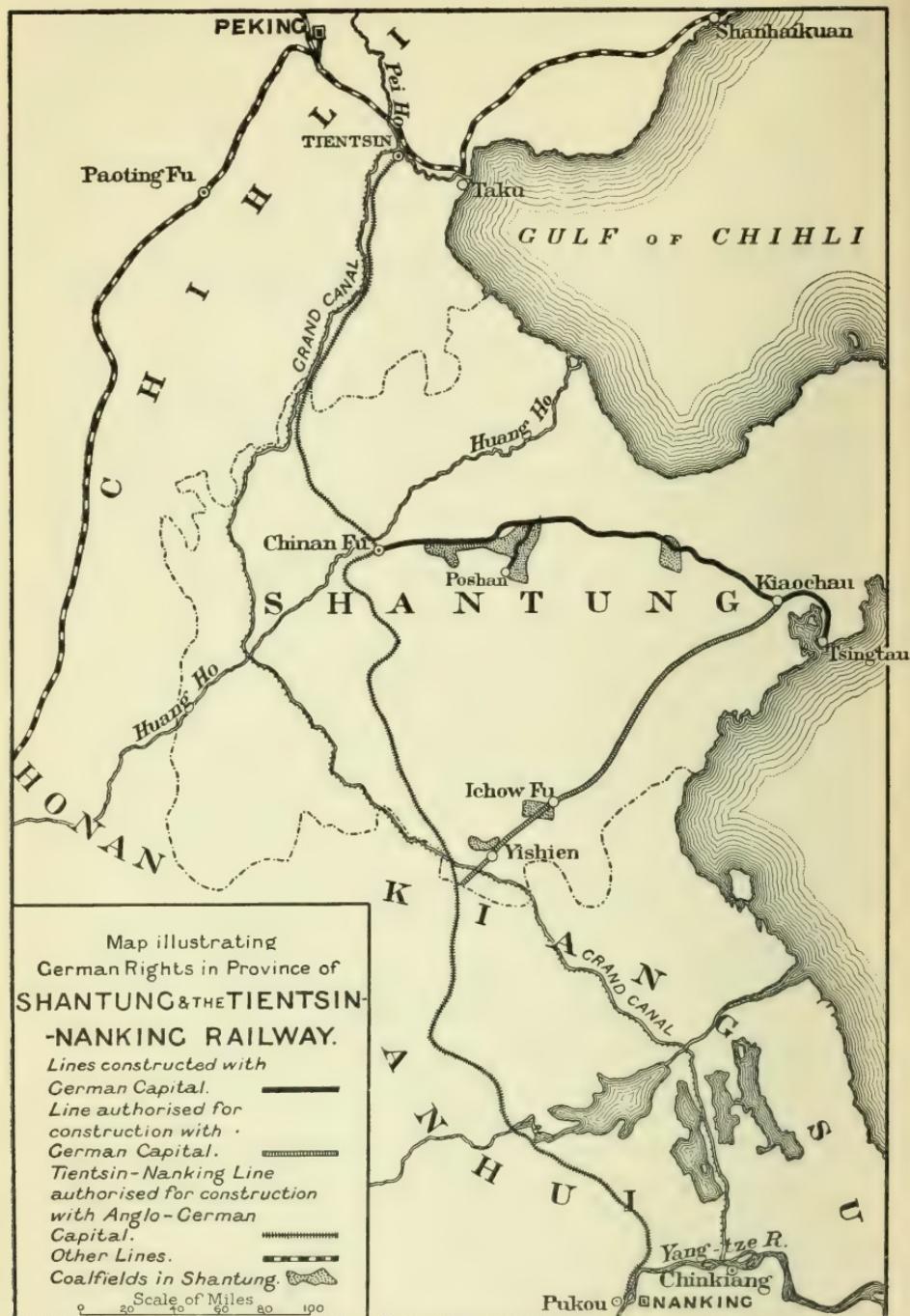
GERMAN RAILWAY RIGHTS IN SHANTUNG AND THE TIENTSIN-NANKING RAILWAY

THE occupation of Kiaochau by Germany was decided upon in principle in 1896. In that year, it will be remembered, Li Hung Chang paid his celebrated visit to Moscow, being present at the Coronation festivities of the present Czar. On his return he passed through Germany. It was suspected at the time that Russia had secured valuable rights in North China and Manchuria. On being pressed Li Hung Chang steadfastly denied that this was so. Shortly after he had left the country, however, the German Government received certain information that their suspicions had been correct. Thereupon Kiaochau, in anticipation of Russian aims, was mentally earmarked as a future territorial acquisition of Germany, who was badly in need of a naval station in Chinese waters, with the province of Shantung as their sphere of influence.

The opportunity to act upon this decision arrived shortly afterwards.

In November 1897 two German missionaries were murdered by Chinese, and the occurrence was made the ostensible cause of the seizure and occupation of the coveted territory. By a curious coincidence the scene of the outrage was the province of Shantung, a circumstance that served to foster the illusion.

The circumstances of this proceeding were briefly as follows. Early in November the missionaries were murdered. On the 14th of that month Admiral von Diedricks, Commander-in-chief of the German squadron in Eastern waters, took possession of the heights surrounding Kiaochau Bay. Later in the day a proclamation was issued explaining the circumstances of the occupation, and while maintaining that friendly relations existed between Germany and China, hinting by no means obscurely at the intention of Germany to retain the occupied territory.



In Europe the significance of the German action was fully realised. The Russian press dwelt upon the logical consequences that must ensue, and on all sides it was recognised that a crisis had arisen which might entail far-reaching consequences.

The following comment of the *Novosti* is of interest, as indicating the current view :

"This event will perhaps form a starting-point for a decision in the Far Eastern question. Everything depends on whether the Germans remain in the occupied town or decide to give it up again. If the occupation should be a lasting one, Russia must take immediate steps to safeguard her life interests in China. Of all the colonial struggles heretofore undertaken by Germany, this one with China is by far the most important, as it brings her into contact with the interests of Russia and Japan."

"It is in no way desirable for these two States that Germany should establish herself in their close proximity, and force herself into what is to a certain extent their sphere of influence. Moreover, if Germany is not deterred by protests on the part of the other Powers, the occupation of Kiaochau will form a very convenient excuse to ask the Reichstag to grant a further increase of the navy."

"Russia especially can learn a lesson by the occupation of Kiaochau by German troops, and it can well serve as an example. Russia stands greatly in need of a port free from ice in these regions. The Chinese Government will never of their own free will place a port at their disposal in gratitude for services rendered. If, therefore, Germany declines to evacuate Kiaochau, Russia on her side will have every right to occupy, in retaliation, some portion of Chinese territory."

The occupation of Kiaochau was followed up by the presentation by Baron von Heyking, the German Minister in Peking, of the following demands :

1. The building of an Imperial tablet to the memory of the missionaries who were murdered.
2. The families of the murdered missionaries to be indemnified.
3. The Governor of Shantung to be degraded permanently.
4. The Chinese Government to defray the cost of the German occupation of Kiaochau.
5. German engineers to have preference in the building of any railway which China may construct in the province of Shantung, and also in the working of any mine which may exist along the track of such railway.¹

These demands the Chinese refused to discuss until Kiaochau had been evacuated. In reply Baron von Heyking informed the

¹ *Blue Book No. 1 of 1898*, at page 2.

Yamen that "the uselessness of putting any faith in the promises of the Chinese Government having been proved by experience, the evacuation of Kiaochau would not take place until the Chinese Government had assented to the German demands." The Chinese then changed their ground, and negotiations proceeded.

Meanwhile, to the previous demands, had been added a request for a guarantee of proper protection in the future of the lives of German subjects in China. Early in 1899 these several demands were acceded to, including the demand for a guarantee. The latter took the practical form of a lease of Kiaochau Bay and a section of the hinterland to Germany for ninety-nine years, which, as Baron von Bülow put it, affords "the best security," for "by this the Chinese authorities will have continually before their eyes the evidence of German power, and will realise that wrongs committed against German nationals will not remain unavenged."

On a later occasion the same statesman summarised the policy of Germany :

"Mention has been made of the partition of China. Such a partition will not be brought about by us at anyrate. All we have done is to provide that, come what may, we ourselves shall not go empty-handed. The traveller cannot decide when the train is to start, but he can make sure not to miss it when it does start. The devil takes the hindmost. But we do not desire, and I beg to impress this point on you—we do not desire a partition of China, and I do not believe that there is an immediate prospect of such a division. But in any case (and here, I think, I can best resume the advantages secured to us by the occupation of the port, as well as the reasons which induced it), in any case, I say, we have secured in Kiaochau a strategical and political position which assures us a decisive influence on the future of the Far East. From this strong position we can look with complacency on the development of affairs. We have such a large sphere of action and such important tasks before us that we have no occasion to grudge other nations the concessions made them. German diplomacy will pursue its path in the East as everywhere else—calmly, firmly, and peacefully. We will never play the part of mischief-maker, nor will we play that of Cinderella."

The lease in its final form was signed on the 6th of March 1898, a railway convention being concluded on the same day, whereby the right to construct a triangle of railways in Shantung was also secured.¹

The first of these lines was to run from Kiaochau to Chinanfu

¹ Appendix E. No. 1.

in the north-west portion of the province of Shantung. Thence a branch was to proceed southwards to Ichowfu, where it would be met by a second line starting in the neighbourhood of Kiaochau and aiming at the south-western boundary of the province.

The acquisition of these rights aroused keen enthusiasm in Germany, and on the presentation of the supplementary estimate to the Reichstag in April 1898 a sum of 5,000,000 marks was voted "for the establishment of Kiaochau as a commercial and strategic *point d'appui*."

In the following September, in accordance with Germany's undertaking, when the lease of territory was arranged, Kiaochau was declared open to foreign trade without distinction of nationality, and by arrangement between the Chinese and German Governments a station of the Imperial Maritime Customs was established at Tsingtau.

Meanwhile the development of Kiaochau, or rather of the part of Tsingtau which had become the seat of the Government, had been proceeding, and before the end of the year it had become necessary for the Imperial Exchequer to give a further sum of 3,500,000 marks in order to enable the harbour works, Government buildings, and general development of the new "colony," as Kiaochau was referred to in the German press, to proceed in accordance with the original scheme.

At the same time keen competition had arisen in Germany between various syndicates for a concession from the Government to construct the railways in the province, and in the winter of 1898 a combination was arranged between some of the chief competitors, with the result that in June 1899 the "Schantung Eisenbahn Gesellschaft" was formed in Berlin with a capital of 54,000,000 marks. In order to fulfil the terms of the Convention, which provided for the construction by joint Chinese and German capital, it was arranged that shares should be put on the local Eastern markets.

The concession secured by the Syndicate comprised the following rights :—

Firstly, the right to construct a railway from Tsingtau to Kiaochau, and thence by way of Weihsien to Chinanfu, with a branch line to Poshan. The construction of the portion from Tsingtau to Weihsien had to be completed in three years, and the whole line within a further period of two years.

Secondly, the Syndicate were given the option until the end of

1908 to construct the line from the neighbourhood of Kiaochau to Ichowfu, that is to say the southern fork of the triangle ; and also the base of the triangle, the line between Chinanfu and Ichowfu.

Thirdly, the Syndicate secured the exclusive right for a period of five years of searching for minerals and petroleum within a zone of thirty Chinese li (ten miles) along both sides of the line of railway, and of applying for claims in respect of them.

These valuable rights were granted on the terms, that, in consideration of the large expenditure incurred by the Government for harbour works, the railway company should pay the Government a proportion of the surplus profits after having paid a 5 per cent. dividend to the shareholders.

The financial aspect of the matter having been settled, the work of construction was commenced in September 1899.

At the outset some difficulty was experienced in overcoming local prejudice and acquiring the necessary land for the line from private owners. But subsequently the Syndicate, in consultation with the representatives of the native owners, fixed a scale of compensation that gave satisfaction to both sides.

Another difficulty, or at least a considerable inconvenience, was experienced in connection with the landing of railway material. At this time the harbour works were not sufficiently far advanced to be utilised for unloading purposes, consequently steamers had to discharge their cargo in the open roadstead. Later on the Boxer troubles stopped all work, and considerable damage was done to such portions of the line as had been completed.

Nevertheless, the first section between Tsingtau and Kiaochau, a distance of approximately 45 miles, was opened on the 1st of April 1901, and on the 1st of June 1902, in accordance with the Company's original undertaking, the line was completed as far as Weihsien. Chinanfu was reached early in 1904.

The length of the main line of railway is 394 kilometres (about 240 miles); the branch line to Poshan is 59 kilometres, or 34 miles long, giving a total length of approximately 280 miles. The line is a single track, but the earthworks have been constructed to admit of a double track when the developments of the future demand it. The 1'435 metre (4' 8 $\frac{1}{2}$) gauge has been adopted.

The route taken was singularly free from engineering difficulties, cuttings being required in a few cases only, while tunnels were nowhere necessary. The chief difficulty, as with most Chinese

railways, arose in connection with the bridging of the numerous water-courses, which vary so considerably in volume at the different seasons of the year. The total cost of the line was 52,901,226 marks, or approximately £9500 a mile.

It is somewhat early perhaps to speak with certainty of the commercial prospects of the line. As on other Chinese railways, the passenger traffic is considerable, and at first the receipts from this source far exceeded those arising from goods traffic. But the latter began to show signs of improvement with the completion of the line to Chinanfu, and since that time a steady advance has been maintained, so that at the present time passenger traffic is responsible for one-third and goods traffic for two-thirds of the total receipts of the railway.

The following tables give the figures for the first seven months working since the completion of the line, and for the year 1905, which are the only statistics available.

PROFIT AND LOSS ACCOUNT.

12th June to 31st December 1904.

Dr.			Cr.
Working expenses . . .	Marks. Pf.	Gross receipts . . .	Marks. Pf.
Carried to depreciation account . . .	848,231·35		1,651,167·50
Nett profit . . .	500,000·00		
	302,936·15		
	1,651,167·50		1,651,167·50

PROFIT AND LOSS ACCOUNT.

1st January to 31st December 1905.

Dr.			Cr.
Working expenses . . .	Marks. Pf.	Gross receipts . . .	Marks. Pf.
Carried to depreciation account, etc. . .	1,484,197·02		3,806,339·56
Nett profit . . .	351,213·40		
	1,970,929·14		
	3,806,339·56		3,806,339·56

Though the margin of profit here shown is small, only representing in 1905 a return of between 3 and 4 per cent. on the capital invested, there is every reason to suppose that the railway will ultimately show a fair earning capacity. It must not be forgotten that the enterprise is in its infancy, and that the line traverses a country the resources of which are virtually undeveloped; that its terminus is at a port endowed by nature with excellent harbour accommodation, and that it will ultimately be connected with the projected trunk line between Tientsin and Nanking. In the same connection mention should be made of two further projected developments. It has been proposed to construct two cross lines connecting the two trunks—the projected Tientsin-Nanking Railway and the Ching-Han line. The more northerly of these would run from Techowfu, a point near the north-west boundary of Shantung, approximately one-third of the way between Chinanfu and Tientsin, to Chengtingfu. The southern connection would leave the Tientsin-Nanking line at Yenchaufu, a similar distance south of Chinanfu, and proceed to Kaifengfu, where it would join the Kaifengfu-Honanfu-Hsianfu Railway,¹ which crosses the Ching-Han line a little south of the Yellow River.

Germany has been very anxious for some time past to secure the concession for the construction of these lines. So far, however, the German Minister has only succeeded in arriving at an understanding with the Chinese Government to the effect that in the event of the Chinese Government deciding upon their construction and requiring the assistance of foreign capital, German capitalists will be allowed the first refusal of the concession. A glance at the map is sufficient to indicate the commercial importance of these railways to Shantung and Tsingtau. Apart from the general development that would result with unbroken rail communication between Chengtingfu and Tsingtau, the latter would prove a formidable rival to Tientsin as the port of entry for Shansi, while the southern extension would put Tsingtau in a position to compete with Hankow as the port of entry for the distant province of Shensi.

Turning now to the other two lines, forming the remaining sides of the triangle of railways originally projected in Shantung, there is at present but little to record. The right to construct the line between Chinanfu and Ichowfu, as will be explained in more detail shortly, was resigned by the Shantung Railway Company in favour

¹ Post, Chap. XVII., p. 171.

of the Anglo-German Syndicate, which was formed to undertake the construction of the Tientsin-Nanking Railway.

In regard to the southern fork from Kiaochau to Ichowfu, the preliminary surveys have been made, but the idea of undertaking the work has been abandoned, at least for the time being.

So much for the purely German railway rights in Shantung. Before quitting the subject, however, it is important to note the advance of the port of Tsingtau since the German occupation, and to endeavour to form some idea of the possibilities of the province. On the latter point the view of Baron von Richthofen, the eminent geologist, to which he gave expression at the time of the occupation, may with advantage be reproduced.

"The coal of Shantung is of good quality, black and hard, burning with a clear flame, and making excellent coke ; it has great heating power. But the beds lie low, and in consequence the pits are soon flooded, as the natives do not understand how to keep the water down."

"In the fields of Poshan Sien, however, the formation of the ground is more mountainous, and it is possible to work the beds with natural drainage. The objection here is the want of wood for supports. It would not be possible to work the other beds without considerable preliminary expenses for pumps, etc.

"In the winter months Kiaochau is the natural outlet for the trade of North China ; in the summer months Tientsin is the most convenient port of access. If, however, Kiaochau is made the terminus of a line to Peking and North China, the advantage to the province of Shantung will be immense. The chief reason why it is so little developed is the difficulty of access. It is desirable to construct a line as soon as possible via Tainanfu to connect with the future Peking-Hankow Railway,—that would be a distance of about 500 kilometres.

"The principal point is that the Power which possesses Kiaochau will control the coal supply in Northern Chinese waters.¹ It is quite out of the question that Shantung will form a German colony in the proper sense of the word. The territory is already overcrowded, and immigrants from Shantung are the main element of the new population of Manchuria. Europeans cannot compete with Chinese labour. It is out of the question that Germany should acquire a large territory in Shantung, and thereby become involved in all sorts of complications. Our object should be to obtain a *point d'appui* for our trade, so as to ensure ourselves a share in the industrial development of China."

The table on page 149, based on the returns of the Imperial Maritime Customs, will indicate the progress of Tsingtau, a progress largely achieved, it is to be feared, at the expense of Chefoo, the great

¹ Baron von Richthofen appears to overlook the products of the Honan and Shansi coal-fields and of the Kaiping mines.

straw-braid trade of which port has of recent years suffered a marked decline. The figures commence with the establishment of the Customs stations in 1899, and are continued therefrom up to the present time.

The Tientsin-Nanking Railway now demands our attention.

The original proposal was for the construction of a line between Tientsin and Chinkiang, and the latter place was specified in the preliminary loan contract as the southern objective. It has since been decided to meet the Yangtze at Nanking, or rather at Pukou opposite Nanking, on the north bank of the river.

The chief reason for the change lies in the fact that in view of the construction of the Shanghai-Nanking Railway there is no necessity for this line to aim at any point on the Yangtze below Nanking. The route originally projected was to approach comparatively close to Nanking, and then to curve away in a westerly direction, running parallel to the Yangtze to Chinkiang. But with the Shanghai-Nanking Railway also running close to the Yangtze between Chinkiang and Nanking, on the south side of the river, there would have been two railways running virtually parallel one on each side of the river, which would have resulted in a by no means economical use of capital. Moreover, Pukou is destined to become the eastern terminal of the Pukou-Hsinyang Railway, and the advantage of these railways converging at one point was no doubt present to the minds of those responsible for the change. Finally, in the absence of cogent commercial or engineering reasons favouring the Chinkiang route, the fitness of things appears to dictate the selection of Nanking in order that the two capitals, of the north and of the south, may be put in direct rail communication.

The history of the concession is a simple one.

In 1897 a Chinese of the name of Yung Wing was granted the right to form a company to construct this railway with the assistance of foreign capital, and on the 23rd of August 1898 a contract was signed by him with an Anglo-American Syndicate for a loan of £5,500,000. Meanwhile the Germans had occupied Kiaochau and secured rights in Shantung, which prevented the construction of the line by Yung Wing's Syndicate through that province.

The difficulty of finding any other satisfactory route and the indefinite nature of Yung Wing's rights, combined with the fact that they were contingent upon the consent of the Throne, subsequently caused this syndicate to withdraw from the field.

Year.	Imports from		Exports to		Total Imports and Exports.	Re-Exports.	Treasure.	
	Foreign Countries.	Native Ports.	Foreign Countries.	Native Ports.			H.K. Tls.	H.K. Tls.
1899	H.K. Tls.	H.K. Tls.	H.K. Tls.	H.K. Tls.	882,577	2,212,506	2,342	341,793
.	...	1,329,929	1,072,292	3,968,183	11,033	1,247,831
1900	158,598	2,705,011	32,282	2,743,500	8,756,382	25,462	643,328	53,898
1901	2,527,606	3,466,903	18,370	2,166,443	10,376,225	31,583	582,526	328,891
1902	3,678,690	4,428,143	102,949	234,216	3,097,828	14,611,549	13,138	368,146
1903	5,134,229	6,145,276	845,302	5,403,769	18,886,198	22,390	1,059,971	1,208,050
1904	3,437,897	9,199,230	2,430,350	4,794,908	22,351,784	29,104	1,731,038	1,553,512
1905	4,372,937	10,753,589	3,526,093	4,944,821	30,723,851	211,470	76,461	1,813,770
1906	7,019,263	15,233,674						1,571,322

Six months ending 31st December.

Even before this latter event took place the German Minister had applied for the grant of this concession, regarding it as the logical outcome of the German position in Shantung. In the same sense the line which was in part to traverse the Yangtze Valley attracted the attention of the British and Chinese Corporation.

In July 1898, in order to provide funds for its construction, a definite offer was made to the Chinese Government of a loan of £4,500,000 for a term of thirty-five years, at the rate of 5½ per cent. per annum, to be taken up by a German Syndicate at ninety-two.

The British Syndicate, on the other hand, showed no disposition at this time to move in the matter, Sir Claude MacDonald reporting that the line would not pay, according to the opinion of experts, and that the head of Messrs. Jardine, Matheson & Company had informed him that the risk of a long trunk line was too great to permit them to undertake it.¹

This view was subsequently revised, and, the German offer not having in the meantime been accepted, the suggestion was made that the enterprise should be taken up by British and German capitalists acting jointly. The idea was regarded favourably by the two Governments, and with this end in view a meeting was held on the 1st and 2nd of September 1898, between the representatives of the German Syndicate and the British and Chinese Corporation and the Hongkong and Shanghai Bank. On this occasion a general understanding in regard to railway makers was arrived at, whereby it was agreed that the British Syndicate were to confine their activity to the valley of the Yangtze, the German Syndicate proposing to operate in the valley of the Yellow River.

In regard to the Tientsin-Nanking Railway, or Tientsin-Chinkiang Railway, as it then was, the following arrangement was come to :—

" The line from Tientsin to Tsinan (Chinanfu), or to another point on the northern frontier of the province of Shantung, and the line from the southern point of the province of Shantung to Chinkiang, to be constructed by the Anglo-German Syndicate (meaning the German Syndicate of the one part and the Hongkong and Shanghai Banking Corporation and the British and Chinese Corporation Limited on the other part), in the following manner, viz.:—

1. The capital for both lines to be raised jointly.
2. The line from Tientsin to Tsinan (Chinanfu), or to another point on

¹ *Blue Book* No. 1 of 1898, at page 168.

the northern frontier of the province of Shantung, to be built and equipped and worked by the German group.

3. The lines from the southern point of the province of Shantung to Chinkiang to be built and equipped and worked by the English group.

4. On completion the line to be worked for joint account.”¹

The point to notice about this arrangement is, that the German right to construct the base of their triangle of lines in Shantung was reserved to them. It is interesting to observe how the Chinese dealt with this idea.

On the arrangement being come to a joint application was made by the British and German Ministers to the Chinese Government for the grant of the necessary concession. The Chinese replied that Yung Wing’s concession barred the way. This proved merely a temporary obstacle, but no sooner was it removed than another difficulty arose out of the German claim already alluded to in respect of the construction of the section of the line within Shantung as a German railway. To this the Chinese replied with every show of reason, that if it was to be a German railway the Chinese Government could not guarantee a loan as though it were a Chinese Government railway in the manner that had been suggested.

For some two months the negotiations remained at a standstill. The German demand was then withdrawn, and ultimately an arrangement was arrived at which was embodied in a preliminary agreement,² dated the 10th of May 1899. Ratification by the Throne followed a few days later.

The preliminary agreement had most features in common with the agreements that have been issued in other cases. The amount of the loan was £7,400,000 at ninety, bearing interest at the rate of 5 per cent. per annum, secured on the undertaking and additionally guaranteed by the Chinese Government.

The second clause indicated the route to be followed :

“The loan is designed to provide the capital for the construction of Government railway lines from a point at or near Tientsin, through Techow and Tsinanfu (Chinanfu) to Thsien, near the southern frontier of Shantung, hereinafter known as the northern part of the Tientsin-Chinkiang railway lines, and from Thsien to Kuachao (Chinkiang) on the Yangtze Kiang, hereinafter known as the southern part of the Tientsin-Chinkiang railway lines, the total length of these lines being about 982 kilometres, equal to about 1800 Chinese li.”

The eighteenth clause provided for a division of labour

¹ Blue Book No. 1 of 1899, at page 214.

² Appendix E, No. 2.

and control between the foreign parties interested, in accordance with the understanding previously come to between them.

"The northern part of the railway lines shall be constructed, equipped, and worked on behalf of the Imperial Chinese Government by the Deutsche-Asiatische Bank, and the southern part of the railway lines shall be constructed, equipped, and worked on behalf of the Imperial Chinese Government by the British and Chinese Corporation Limited under conditions as follows. For each of these parts a Board of Commissioners shall be appointed to superintend the construction, equipment, and working of the railway lines in accordance with regulations to be arranged between the Imperial Directors and the Deutsche-Asiatische Bank and the British and Chinese Corporation Limited."

With the settlement of these preliminary arrangements nothing further was done in the matter until after the Boxer trouble, negotiations being opened up with the Wai-Wu-Pu in June 1902, with a view to concluding the final agreement. These negotiations have now extended over a period of five years, and are not yet concluded. Early in 1905 the draft for the final contract was formally laid before the Chinese Government. It is still under consideration.

The terms of this document are not available, but it is understood that the chief differences are that the terminus is changed, as already noted, to Pukou opposite Nanking, while the loan is increased to £10,000,000, of which £6,500,000 is to be German and £3,500,000 British capital.

Recently various demands have been made to secure the cancellation of the concession and to substitute for the Anglo-German Syndicate a Chinese combination to undertake the enterprise. But there is no reason to suppose that the present concessionnaires would consent to leave the field. On the contrary, the construction of the southern section between Shantung and the Yangtze occupies a prominent position in the programme of the Central Chinese Railways Limited, the international combination to which allusion has already been made.

Referring to the commercial aspect of this railway, there exists considerable difference of opinion, but on the whole it is believed that it will form a valuable asset to the Chinese Government.

Doubts have recently been expressed as to its probable effect on Tientsin. How far, it is asked, will the existence of rail com-

munication from Peking, or ultimately from Kalgan, by way of Tientsin to Tsingtau, affect the trade of the Treaty Port? It may, of course, be taken for granted that the construction of the railway will not be entirely without effect; and, notwithstanding the tendency of trade routes to become fixed, there can be no reasonable doubt that Tsingtau will seriously compete as the port of entry for districts to the south and south-west of Tientsin which are now supplied through Tientsin and the Grand Canal.

The trade farther north, however, would not appear to be seriously threatened so long as the river and sea approach to Tientsin is properly maintained.

Of recent years the Haiho between Tientsin and the sea has been greatly improved, and a movement initiated by Mr. J. M. Dickinson, lately Chairman of the British Municipal Council of Tientsin and of the Tientsin General Chamber of Commerce, is now on foot to provide the necessary funds to secure further improvement by dredging the Taku Bar. When this is done there is no reason to suppose that Tsingtau will prove a serious rival to Tientsin in the regions to the north and west of that port, as the rail haul between Tsingtau and Tientsin and places still farther north will be too long and expensive to enable it to compete with the route by sea.

The effect of its construction, however, may be to reduce the high rates of freight on sea-borne cargo between Shanghai and Tientsin which prevail at the present time.

CHAPTER XVI

FRENCH RAILWAY RIGHTS IN SOUTH CHINA

DURING recent years the growth of French influence in South China has been both considerable and rapid. It represents the logical development of French policy in Indo-China ; or, more correctly, it marks the commencement of the realisation of French ambitions in South China for the furtherance of which Tongking was occupied.

There is no secret attaching to the reasons for the extension northwards of the French Empire of Indo-China. Prince Henri d'Orleans has testified to the fact that Tongking was occupied in order to provide a convenient means for the penetration of China. A no less remarkable utterance is to be found in the pages of *L'Indo-Chine Francaise*, a valuable work recently published by M. Doumer, the late Governor-General. On page 330 he writes :

“ Longtemps, le Tonkin ne nous avait paru valoir que par l'accès qu'il donnait au Yunnan. On a très justement reconnu par la suite qu'il avait une valeur propre ; mais ce n'était pas une raison pour oublier le but de notre prise de possession.”

Tongking consists of the northern portion of what was once the kingdom of Annam. It is interesting, and perhaps almost necessary to a proper understanding of the French position in South China, to trace the steps by which it became Gallicised.

Tongking first came under the influence of the French in 1787. For some time prior to that year the two countries Annam and Tongking had been divided by internal dissensions, with the result that the King of Annam, Gia Long, was compelled to fly for safety to Siam. It happened at this time that Bishop Pigneaux de Betaine was head of the Jesuit establishment at Bangkok. The bishop was politician, soldier, and priest, and he soon formed the conclusion that an opportunity had arrived for establishing the power of

Map illustrating
FRENCH RAILWAY RIGHTS IN SOUTH CHINA.

Lines under construction with French Capital.

Lines projected with French Capital.

Lines in Tongking.

Scale of Miles

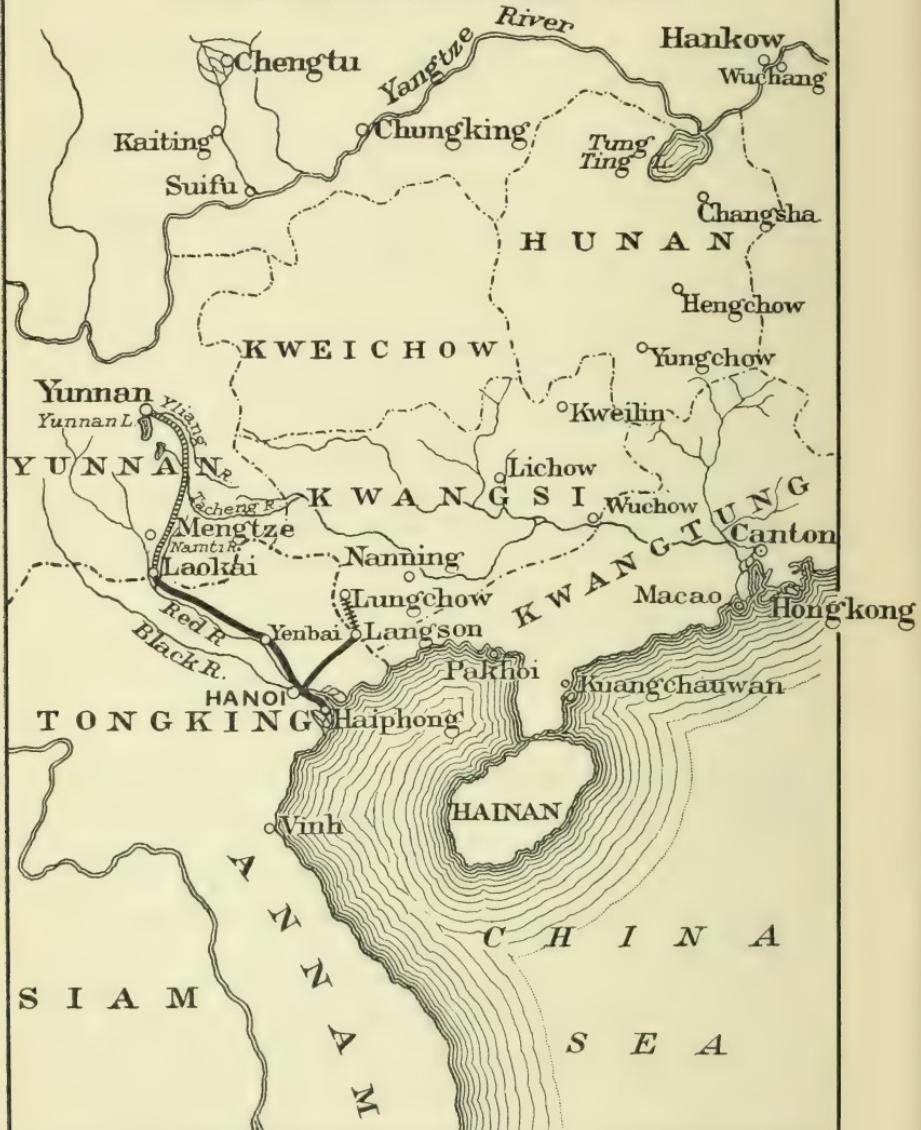
0

100

200 300

400

500



France in Indo-China. He therefore invited the deposed monarch to accompany him to Paris and seek the assistance of the French king, Louis xvi., in an endeavour to regain the throne. Gia Long, however, refused the invitation for himself, but sent his son with the bishop in his stead.

At this time the great duel for empire that had been waged between France and England for nearly a hundred years was going against France, and it is not surprising to find the bishop putting forward the case of Gia Long in the following terms :—

“ The balance of political power in India appears at the present moment to be largely in favour of the English, and one may be justified in looking upon it as a matter of no little difficulty to restore the equilibrium. In my opinion the establishment of a French colony in Cochin-China will be the surest and most efficacious means to that end. The most certain way of damaging the English in India is to ruin, or at anyrate to weaken, her commerce in time of peace. Being situated nearer to China, we should undoubtedly absorb much of her trade. In time of war it would be still more easy to stop all commerce between China and any hostile nation. From such a coign of vantage it would be easy to interfere with the designs which the English evidently have of extending their frontier more to the east.”

The result of the mission was a treaty in virtue of which Gia Long was to be restored to his throne on condition that he accepted the protectorship of France, and steps were being taken to give effect to the arrangement when the revolution broke out and confined the attention of politicians to internal affairs. Bishop Pigneaux, however, had no mind to be baulked of his ambition, and seeing no help was forthcoming from Europe he raised a force of French and other adventurers and, landing in Annam, shortly disposed of the resistance with which he was met, and effected the restitution of the king. It was not long before the latter began to realise and distrust the policy of his French ally, and in succeeding years French influence made but little progress. The reverse, in fact, was the case, and in the earlier part of the nineteenth century the murder of missionaries and native Christians became a frequent occurrence. A stop was not put to these things until the year 1859, when Admiral de Genouilly took Saigon by assault, and on his return from the Franco-British campaign in North China in 1861 occupied various strategic points, which resulted in the cession in 1862 of the provinces of Saigon Mytho and Bienhoa. Six years later Admiral Grandière secured the cession of further territory and established a protectorate over Camboja.

The French position in Annam was now assured, and attention was directed to Tongking. But here again political developments at home prevented progress in the East, and nothing further was done until some time after the conclusion of the Franco-German War, when the proceedings of Dupuis and Francis Garnier again aroused public interest in Tongking.

M. Dupuis was a merchant who had done business in 1871 as an army contractor for the Chinese military authorities in Yunnan at the time of the Mohammedan rebellion, and had penetrated by way of the Red River to Yunnanfu. When he arrived he found the rebellion quelled and the Chinese no longer in need of the stores and arms which he had brought. They nevertheless received him well and took delivery of the consignment, providing him with a guard of Chinese soldiers to escort him to the sea, and allowing him to load up his empty boats with copper and tin, to be paid by the supply of an equal weight of salt. On arrival at Hanoi, however, he found the local authorities set against allowing the export of the latter commodity, and M. Dupuis was compelled to appeal for assistance to Saigon. At that time Admiral Dupré was Governor of Cochin-China. This official summoned Lieutenant Garnier, who had done considerable expedition work in Tongking, and despatched him with full authority to settle the matter in his discretion.

Arrived in Hanoi, a week was spent in what proved a fruitless endeavour to arrange the difficulty between the authorities and M. Dupuis. Hanoi was then taken by assault, and on the 15th of November 1873 Garnier issued a proclamation declaring the Red River opened to general commerce. Unfortunately, in the course of the military operations that followed Garnier was killed, after having effected in a few weeks the occupation of Tongking. He was succeeded by a Civil Commissioner who ordained the evacuation of Tongking, a treaty between France and Annam being concluded in March 1874 by virtue of which Quinhon, Haiphong and Hanoi were opened to commerce. Thus ended the first attempt on Tongking.

The march northward, however, was only postponed for a short time. Tongking was necessary to France. It could not be allowed to prove a barrier to the intercourse between the colony and China. Moreover, it was designed as a base of operations for the extension of French influence and, if the trend of political events was in that

direction, for the acquisition of territory in the Chinese Empire. In other words, it was essential that the colony should be contiguous to those provinces in South China which, as M. Doumer puts it, "semblaient réservés à notre pénétration."

The state of affairs set up by the treaty of 1874 was far from satisfactory. Despite commercial conventions, not only was no progress made by France in Tongking, but her consuls were systematically insulted and spent most of their days in a state of siege.

In 1883 remedial measures were decided upon. In the spring of that year Commandant Henri Rivière, with the *Drac* and *Parseval*, a despatch boat and a gunboat, and 500 men was sent to Hanoi. Subsequent events resembled Garnier's action a decade earlier. So far from being awed by the arrival of these reinforcements, the tone of the native authorities became more hostile. In consequence the citadel was again taken.

A campaign now ensued in the neighbourhood of Hanoi, and a certain amount of fighting took place between the French and the Black Flags, an irregular body of troops which were secretly receiving official encouragement from the Chinese to oppose the French. China herself was anxious to avoid hostilities, having before her "a brochure by Captain Rivière advocating a quarrel with China as a preliminary to the seizure of the three southern provinces of Kwangtung, Kwangsi, and Yunnan."¹ China, however, was unable to hold aloof, and after an abortive attempt at peace in May 1884 and subsequent operations principally in the neighbourhood of Formosa, which did not reflect any particular credit on French arms, the treaty of June 1885 was concluded.

Under this treaty France engaged herself to "re-establish and maintain order in those provinces of Annam which border upon the Chinese Empire." Agreements were made for the boundaries between China and Annam to be fixed within six months by commissioners appointed by the two Powers. Mengtze and Lungchow were opened to French trade, and commerce between Tongking and Kwangsi and Yunnan was to enjoy special customs rates, which were fixed in a subsequent convention in respect of goods imported from Tongking to Yunnan and Kwangsi at 70 per cent. of the import duty, while goods passing into the protectorate from China were to bear 60 per cent. of the export duty levied

¹ *The Englishman in China*, by Alexander Michie, vol. ii. p. 326.

at the Treaty Ports by the Imperial Maritime Customs. The convention also opened Manhao to French trade.

By yet another convention, concluded in 1895, Hokow was substituted for Manhao, and Ssumao in Yunnan was opened, the customs tariff again becoming the subject of favourable readjustment in the interests of French trade.

The same convention marked the first step towards a railway policy :

"It is understood that China, for the exploitation of its mines in the provinces of Yunnan, Kwangsi, and Kwangtung, will address itself in the first instance to French commerce and engineers, the exploitation remaining otherwise subject to the rules and edicts by the Imperial Government which affects national industry. It is understood that railways already in existence or projected in Annam can, after mutual agreement and under conditions to be defined, be prolonged on Chinese territory."

At this time the only railway that existed in Tongking was a small 60-centimetre gauge line originally constructed for military purposes in 1886 between Langson and Phulangthuong ; no other railways were projected. Ideas however existed more or less hazy perhaps, but based on the writings of Francis Garnier, as to the line of country that railways would follow when they came to be constructed, and the fact that no definite scheme had been discussed detracted nothing from the value of the rights that had been secured. And here we may conveniently pause and recall the distinction drawn in the chapter introducing the "Battle of Concessions" era, where it was remarked that, like that of Russia, the railway policy of France has been a means to an end : an incident in a larger policy which can only be described as in intention a policy of colonisation.

In the brief sketch in which we have indulged of the expansion of the French Colonial Empire in the south-east corner of Asia lies the proof of the soundness of this conclusion. As Russia descended from the north, so France moved northward, and when it is remembered that four-fifths of the capital required for the construction of the Peking-Hankow Railway was subscribed in Paris, the supposed ambition for a trans-China railroad putting these great allies into direct rail communication was something more than a Russo-phobe chimera. It was a possible danger that has passed away through war, improved understanding, and other circumstances, but in the frenzied period prior to the *coup d'état* of

1898 it was a scheme to anticipate and, both in Chinese and British interests, to combat.

To return, however, we now commence the details of the history of railway progress in South China, and in some measure also of that in Tongking, it being impossible to entirely dissociate the two.

Our starting-point, with the exception of the light military railway between Phulangthuong and Langson in Tongking, is the fifth clause of the Convention of 1895. This clause, as already observed, seems to indicate the existence of a railway policy, but those responsible for its inclusion in the convention were content to regard it for the present as a foundation merely of future schemes. More pressing internal affairs then engrossed the colonial government to the exclusion of a forward policy, and it was therefore left to M. Doumer to devise a policy and to put it into execution.

M. Doumer was appointed Governor-General of Indo-China in 1897. Energetic and ambitious, he was perhaps the beau-ideal of a colonial governor. Under his auspices an era of progress was rapidly inaugurated, and the adoption of a considerable railway programme was urged upon the French Chamber.

Leaving France in January 1897, M. Doumer arrived at his post in the following month. Most of the year was spent in familiarising himself with local conditions, and to ascertaining the railway requirements of the country. Towards the close of the year he was ready with a scheme, which was laid before the Conseil Supérieure of Indo-China.

It is interesting to note that in introducing his scheme, M. Doumer commented in tones of almost noble indignation on what he was pleased to describe as the hardihood of Great Britain in contemplating the penetration of Yunnan and Szechuen by way of Burmah. He took refuge for himself and his auditors, however, in a comforting reflection. “*Pourtant, si nous savons vouloir, nous devons triompher dans cette lutte pacifique. Nous nous trouvons favorisés grâce aux facilités que nous donne la vallée du Fleuve Rouge pour atteindre le Yunnan.*”

M. Doumer's scheme involved the construction of 3200 kilometres of railway. He thus summarises it :

“*Ce réseau, qui doit traverser l'Indo-Chine entière, de Saigon au Tonkin, mettant en communication avec les ports de la côte les riches vallées de l'Annam, reliant à la mer par des transversales les grands biefs navigables du Mékong, pénétration en Chine par la vallée du Fleuve Rouge, aura un développement d'environ trois mille kilomètres.*”

The Conseil Supérieure referred the scheme to a commission on the 14th of September 1898, and as a result of their report the construction of a comprehensive system was authorised for the colony, including a line from Haiphong to Hanoi, to follow the valley of the Red River northwards, and to enter the province of Yunnan.

M. Doumer's next step was to proceed to Paris in order to obtain the confirmation of the French Chamber. This did not prove a difficult task, the scheme being in due course sanctioned by the law of the 25th December of 1898.

Meanwhile, shortly after M. Doumer's arrival in Indo-China, steps had been taken to remind the Chinese of their obligations under the Convention of 1895, and an exchange of notes had taken place between the French Minister and the Tsung-li Yamen on the 12th of June 1897. At the same time the right to continue the Phulangthuong-Langson line to Lungchow, some forty miles within the Chinese border, had been recognised.

On this point being satisfactorily settled, arrangements were made with the Fives-Lilles Company to increase the gauge of the Phulangthuong-Langson line from sixty centimetres to one metre, and to undertake the construction of the necessary extensions from Phulangthuong southward to Hanoi and northward to the Chinese frontier. This work was accomplished at a cost of 20,000,000 francs.

Surveys for the extension on Chinese territory were then undertaken, but subsequently, owing to labour difficulties and on commercial grounds, the scheme was for the time being abandoned.

This event occurred in the autumn of 1898, while M. Doumer's scheme was still under consideration by the commission appointed by the Conseil Supérieure. Earlier in the same year steps had been taken by the French Government to secure further rights in the south of China. The action of Germany, Russia, and Great Britain in the north had afforded the necessary opportunity, and in order to equalise matters, on the 12th of April 1898 China acceded to the following demands on the part of France :

1. Kwangchauwan to be leased as a coaling station to France.
2. The right to construct a railway to Yunnanfu from the Tongking frontier.
3. A promise to be given not to alienate any territory in the three provinces of Kwangtung, Kwangsi, and Yunnan which border on the French frontier.

4. The Chinese Government to agree that if ever they constitute a postal department independent of the Maritime Customs, and if a European is to be appointed as Director thereof, France shall have an equal right with that of other Powers to nominate a candidate for the post of Director.¹

The news caused great satisfaction in Paris, but in London some apprehension was felt as to the intended scope of these arrangements. It was pointed out by the China Association that there was no necessity for these guarantees against the non-alienation of territory, and Her Majesty's Government was urged to contest any arrangement that could in any way be "held to imply exclusive rights of industry or trade, or anything short of equality of opportunity in commercial and industrial enterprise of all kinds." The matter was allowed to proceed, however, without further protest.

A few days later a French missionary was murdered in the region of Pakhoi, in consequence of which the French Minister demanded, as compensation, payment of an indemnity, the construction of a memorial chapel, and the right to construct a railway to join what was referred to as the "Lungchow-Nanning line" with the sea-coast. As no previous mention had been made of the grant of a concession for a railway between Lungchow and Nanningfu, Lord Salisbury instructed Sir Claude MacDonald to apply for information to the Tsung-li Yamen. The latter on being approached denied having granted any such concession.

M. Doumer, however, writing as late as 1905, claims that the concession exists, though in justice to the Chinese it should be remarked that further inquiry, while not freeing the matter from doubt, tends to the conclusion that this claim cannot be sustained.

On the 8th of June the grant of further concessions was announced in Paris. The existence of the right to continue the Langson-Lungchow line being assumed, it was stated that France had obtained the right to construct a railway between Pakhoi on the Gulf of Tongking and Nanningfu in the West River Valley, thus completing "the network of commercial roads penetrating South China from Tongking and the neighbouring region."

But this was at least a very liberal if not a somewhat incorrect interpretation of the understanding that had been arrived at. The fact was that notes had been exchanged with the French Minister to the effect that France would construct this line if any

¹ *Blue Book No. 1 of 1899, No. 17.*

other Power offered to do so, and it was denied that any agreement giving the railway to the French had been signed. Subsequently, in November 1899, the Yamen, reiterating their former denial, gave a solemn assurance to Sir Claude MacDonald that the only concession that had been granted to France in that region was that for a line between Langson and Lungchow, a distance of some 40 miles.

Since that time no further concessions have been obtained, and therefore at the present time the right to construct this line, and that to Yunnanfu, must be taken to represent the sum total of French railway rights in South China.

Turning now to the subject of construction, the proceedings of the Fives-Lille Company in connection with the extension to Lungchow, and their subsequent retirement, have been noted. It now only remains to state in this connection that no further attempt has since been made either by the colonial government or by private enterprise to avail itself of existing French rights in the province of Kwangsi, nor does any such attempt appear to be in immediate contemplation. The truth seems to be, that such a line would have a strategic rather than a commercial value, and in the absence of the right to continue it at least to Nanningfu no advantage would accrue from its construction.

We may therefore pass on to the circumstances of the construction of the line between Laokai and Yunnanfu.

The initial operations were somewhat inauspicious. In 1899 a party, representing a syndicate prepared to undertake the work, commenced a preliminary survey of the proposed route. This proceeding, however, roused the resentment of the natives, with the result that the French Consulate and the Native Customs at Mêngtse were fired by the tin-miners.

In consequence of this manifestation of feeling and of the Boxer outbreak, which occurred shortly afterwards, all work was suspended until 1901. It was then decided to commence operations at the Tongking end of the railway, that is to say to build the line from Haiphong to Hanoi and thence to Laokai in the first instance, it being hoped that when the last-named place was reached order would be sufficiently restored in China to enable the extension on Chinese territory to proceed without molestation.

The capital required for the whole undertaking was 101,000,000 francs, and a French Syndicate was formed to undertake the work on

terms of receiving Government support, it being arranged that the Colonial Government should guarantee the Syndicate an amount not exceeding 3,000,000 francs yearly for seventy-five years. This annuity was additionally guaranteed by the Home Government, and produced a capital sum of 76,000,000 francs; the balance required, amounting to 25,000,000 francs, was subscribed half by the company, whose capital was 12,500,000 francs, and half by the Government of Indo-China.

With the financial part of the matter satisfactorily arranged, work was commenced at Hanoi in 1901. In the autumn of 1903 the conditions under which the extension was to be made on Chinese territory were finally settled between the Chinese Government and the French Minister, it being agreed that the line should be constructed by France with French capital without a Chinese Government guarantee; that the duration of the concession should be eighty years, as in the case of the Manchurian Railway Concession; and that on the expiration of that period the railway should revert to the Chinese Government.

Work on this section also was now commenced, and fair progress has subsequently been made. It was hoped that the whole length of railway between Haiphong and Yunnanfu would be completed in the course of 1907, but now it is thought that Yunnanfu will scarcely be reached before 1910.

The work has presented great engineering difficulties, and instead of following the route of the main road, which traverses the populous cities, it has been found necessary to follow the waterways and to take a course some miles east of the trade route.

Mr. Archibald Little, who recently travelled over that part of the country, has put on record a description of the situation.

"The *tracet* or alignment of the railway has been a sore subject of discussion, and has been twice changed—the question being, should the line follow the old Chinese trade route to Mêngtse and Manhao, thus taking in the principal cities and tapping the more populous valleys of the region; or should the alignment be the easiest obtainable from a technical point of view? Both present great engineering difficulties involving heavy outlay for cuttings and tunnels, so that it is not surprising that the engineers should have finally decided on taking the line round by defiles which nature has excavated, although the country passed through is mostly without population or trade.

"The Yunnan plateau, as we have before stated, is nothing but an endless succession of small isolated oases—cuvettes or basins—some filled with

deep water lakes, others partially occupied by shallow meres, dotted about amidst a sea of rugged mountains. These basins, where alone the Chinese staff of life, paddy, is cultivable, are naturally the only abodes of population, who communicate with each other by passes over the walls of their respective basins ; the few small rivers that flow above ground have cut out deep, narrow defiles in the limestone, and have provided no surplus room for villages or agriculture, while their gorges form a practically impassable barrier to intercommunication. The main problem, however, before the Yunnan Railway Company was how best to climb the wall-like ascent of 5000 feet from the Red River valley on to the plateau ; whether to ascend by a natural gorge and so proceed in the direction of least resistance, but through a wild, unpeopled country, or whether to follow the old road, and so pass from basin to basin either over the intervening mountains or beneath them. This latter was the plan originally selected, but after much time and money had been spent on the survey, and some preliminary work had been executed, it was ultimately determined to follow up the defile of an affluent which rises on the high plateau to the east of Mengtse, and 2000 feet above that town, and thence falls into the Red River at Laokai. North of Mengtse, and between it and Yunnanfu, the line now determined upon follows up the comparatively easy valley of the Tachêngkiang up to the ‘basin’ in which stands the city of Yliang, leaving the high road from Mengtse to Yunnan, from which it is separated by a lofty mountain range some 30 miles to the east. After traversing Yliang the railway turns west, winds through another deep gorge, and then crossing a low pass (500 feet) at length emerges in the Yunnan plain. The total distance from Laokai to Yunnanfu by the new *tracet* is 448·2 kilometres (280 miles), which is 6 kilometres longer than by the old *tracet*.¹

From Mr. Little’s description, and from the map, it will be seen that the route naturally falls into three sections. The first or southern section, in length about 100 miles, runs from Laokai to a point a few miles east of Mengtze. The second follows the valley of the Tacheng Kiang, while the last section is able to avail itself of the Yliang river-bed almost as far as Yunnanfu.

What Mr. Little calls “the defile of an affluent which rises on the high plateau to the east of Mengtze and thence falls into the Red River at Loakai,” and which is followed by the Loakai-Mengtze section of the railway, is the dreaded Namti Valley, which “has levied a heavy toll upon those who have dared to open up its primeval jungles and gullies.”¹

The Namti or Nanshi Valley, as it is variously called, is something of a misnomer. In reality it is nothing more than a deep gorge or canyon through which rushes the Namti River, from whose waters the mountains rise sheer on either side to heights

¹ Trade Report on Mengtze for the year 1905, by A. Wilson.

of three and four thousand feet. And so narrow is this so-called valley, practically confined as it is to the width of the river-bed, that it has been necessary in many places to cut the railway track in the mountain side. Again the engineers have had to cope with a fall from the plateau of Mengtze to Loakai of several thousand feet, while projecting spurs of the rugged mountains have had to be pierced by frequent tunnels.

But the immense engineering difficulties are dwarfed into insignificance in comparison with the difficulty of procuring labour. Shut in between two walls of mountains, the air in the Namti Valley is stagnant, and under the tropical sun generates malaria of a most deadly kind. The Yunnanese well know its dangers, and but few can be induced to leave their plateau homes and labour in its fastnesses. The Annamite from farther south is content with his rice and paddy fields, and is scarcely to be induced to leave them. And so the hardy northerner, drawn from Shantung and the great North China plain, has been imported to struggle with the forces of nature. And even he has succumbed, a victim to the malignant conditions which prevail.

When the work was first commenced the death-rate was appalling. In one year, it is said, five thousand coolies, representing roughly seventy per cent. of all those engaged on the work, lost their lives.

Conditions, however, have now been improved. Hospitals and foreign doctors have been brought upon the scene. The labourer is better housed, and in the summer rains the work on the Namti Valley section is entirely suspended. Thus is coolie life economised and slow progress made.

On the sections of the line above Mengtze, which are being constructed simultaneously, the difficulties are less considerable, and better progress has been made. But, as has been already pointed out, another three years' work will be required before the through track will be completed.

As regards the future prospects of this line, these are matter of considerable difference of opinion. To the resident in South China and Tongking its construction will be welcome, as rendering accessible at an inconsiderable cost the Yunnan plateau, the climate of which is said to be one of the most bracing in the world. This aspect of the matter has not been overlooked by the French, and due importance has always been attached to the necessity for procuring a sanatorium in close proximity to their tropical possessions.

Primarily, however, the object of the railway, as explained to the French Chamber when the guaranteed annuity was voted, is "to promote the prosperity of Tongking, and to open vast regions to French commerce and industry," and it is the commercial future of Yunnan concerning which opinions differ.

For some reason or other this province has been generally regarded in the public estimation as some mysterious Eldorado, waiting to yield its riches to anyone who should have the courage to embark upon the serious quest of them. Its reputed wealth has become almost traditionary. Only of recent years have doubts been raised, with the result that some have become sceptical of the immense wealth of Yunnan.

The French, however, appear to entertain great hopes for the future. They lay stress upon the known resources of the Yunnan plateau, which yields three harvests of rice annually, in addition to supporting other cereals; and with less justification, perhaps, they dwell upon the mineral resources of the province—silver, iron, copper, tin, zinc—the extent of which is quite unknown.

Mr. Little, some of whose remarks have been already quoted, lends a measure of support to the French view. He considers that "a considerable trade is certain to be done, provided only that the present onerous transit dues through Tongking be removed or modified by the French administration of that otherwise progressive colony."

The opposite point of view may be illustrated from a report compiled by Mr. J. W. Jamieson, of H.B.M. Consular Service, when Acting-Consul at Ssumao.

"It is difficult to understand on what grounds such sanguine hopes of Yunnan's future prosperity are based, when it is seen what little support has been given to such illusory ideas by competent observers, conversant with actual facts.

"I am quite prepared to admit that the mineral wealth of Yunnan is great, but the difficulties in the way of working the same are so formidable that they are certain to deter all who wish for some return on their outlay from investing capital in mining enterprises, at least in the southern and western sections of the province.

"Apart from minerals, the province possesses few other resources, and the inhabitants are unenterprising and lazy to a degree. So long as they can grow enough rice to feed themselves, and procure enough cotton wherewith to make the few articles of clothing necessary in this equable climate, they are content."¹

¹ *Blue Book* No. 3 of 1898, at page 1.

The proper conclusion to be drawn, perhaps, from these things is that there are possibilities of the development of a fair trade between Yunnanfu and the sea, but that apart from this the province of Yunnan has yet to justify itself as an area of potential wealth.

Finally, turning to developments of the future, it is interesting to note the views of M. Doumer, who may be taken to represent extreme colonial opinion in France.

The railway between Laokai and Yunnanfu, he considers, will only demonstrate its true value when it is continued to the rich and populous province of Szechuen. Its objective should be the capital city of Chengtu. The line, he thinks, should pass through Suifu, virtually the head of navigation on the Yangtze, and follow the bed of the Min River, at the mouth of which Suifu is situated, until arriving at Chengtu. From this place a line should be carried to Chungking, lower down the Yangtze. But between this port and Suifu, the base of what would roughly form an isosceles triangle, M. Doumer is of opinion that a railway is unnecessary in view of the existence of first-class water communication "at all times by means of the Yangtze."

So much for the penetration of China immediately north of Tongking. M. Doumer is equally ambitious in other directions. He urges that the commercial possibilities of the provinces of Kwangsi and Kwangtung should be exploited by an extension of the Hanoi-Langson line; that the latter point should be connected with Kwangchauwan, the French possession in Kwangtung, by a railway traversing Lungchow and Nanningfu. Arising out of the same idea is a scheme for a line from Nanningfu by way of Kweilin, Yangchow, Hengchow, and Changsha to Wuchang, while a series of short lines radiating from Wuchow to Canton, Kwangchauwan, and Kweilin have also been suggested as part of this comprehensive system. But these important projects are best described in M. Doumer's own words.

"La pénétration en Chine, au nord de nos possessions, serait assurée par la construction de ces lignes à travers le Yunnan et le Ssetchouen. La pénétration au Nord Est, dans le Quang-si et le Quang-Tong, peut se faire, à la fois, par le prolongement de la ligne indo-chinoise d'Hanoi à la Porte de Chine et par le territoire nouvellement acquis de Quang-Tchéou. Déjà le prolongement de notre ligne au delà de la frontière, jusqu'à Long-Tchéou et ultérieurement jusqu'à Nanning, a été concédé, par le Gouvernement Chinois, à une compagnie française. Des difficultés de divers genres

en ont malheureusement retardé l'execution, depuis huit années bientôt qu'elle est possible.

“ La Mission d'études chemins de fer, qui a parcouru le sud de la Chine en 1898, avait détaché un groupe dirigé par M. l'ingenieur Wiart, pour faire la reconnaissance complète d'une ligne qui irait de la frontière du Tonkin à Hankéou, entrepôt commercial du centre de la Chine et point terminus du chemin de fer franco-belge de Hankéou à Pékin. La voie projetée passerait par Nanning, Liou-Tchéou, Kouei-Lin (capitale de Quang-Si), Heng-Tchéou et Tchang-Cha (capitale du Hounan). Sa Longueur serait un peu moindre de 1500 kilomètres. L'étude qui en a été faite donne les éléments d'un avant-projet ; elle a été communiquée aux administrations françaises intéressées.

“ De Quang-Tchéou pourraient partir deux lignes de chemins de fer ; l'une, passant par Muilok et Kao-Tchéou, irait rejoindre le Sikiang, probablement à Ou-Tchéou-Fou ; l'autre passerait par Tchekam, Souikay et Yulin-Tchéou, pour se souder à la grande ligne Long-Tchéou-Nanning dont il vient d'être parlé.

“ D'autres chemins de fer, d'intérêt plus restreint, mais d'une construction facile et d'une exploitation rapidement fructueuse, sont à étudier dans la zone territoriale comprise entre la frontière du Tonkin, et notre possession de Quang-Tchéou. Cette zone, de par les accords intervenus entre la France et le Gouvernement Chinois, et on peut dire aussi suivant un consentement unanime, est dans la sphère d'action des entreprises françaises.”

It may be that the recent international combination of financiers, in the shape of the Central Chinese Railways Limited, has put such schemes for the moment at least beyond the range of practical politics. Furthermore, it may be assumed that the present attitude of the Chinese Government towards all forms of foreign enterprise will render any further acquisition of rights by France in South China improbable in the near future.

Nevertheless, it is well that these schemes should not be overlooked, for they are the proposals, in all seriousness apparently, of a man of standing and of considerable following. And if circumstances ever combined to render possible the attainment of M. Doumer's ambition, British trade interests, particularly in the province of Kwangtung, would be subject to direct attack, and must, it would appear, inevitably be adversely affected.

CHAPTER XVII

THE CHENGTINGFU-TAIYUANFU RAILWAY—THE KAI-FENG FU - HONAN FU - HSIA NFU RAILWAY — THE SWATOW-CHAOCHOW FU RAILWAY—THE CANTON-KOWLOON RAILWAY—THE MACAO-FATSHAN RAILWAY—THE BURMAH-YANGTZE RAILWAY — THE KIANGSI RAILWAY

IN addition to the railways which have been already considered, many others have from time to time been projected of which some are now under construction, while of others the construction has been authorised. Schemes also of varying practicability have from time to time been discussed, and have formed the subject of dreams both commercial and political. In course of time some of them may take upon themselves a more material form, but in their present shape, except for those embryonic extensions which have been incidentally mentioned in connection with other lines, they are altogether too nebulous and uncertain to merit serious discussion.

It is proposed, therefore, to confine our attention to the following seven projected and in some cases partly constructed lines :—

- (a) The Chengtingfu-Taiyuanfu Railway ;
- (b) The Kaifengfu-Honanfu-Hsianfu Railway ;
- (c) The Swatow-Chaochowfu Railway ;
- (d) The Canton-Kowloon Railway ;
- (e) The Macao-Fatshan Railway ;
- (f) The Burmah-Yangtze Railway ; and
- (g) The Kiangsi Railway.

It will be desirable to consider them separately and in the above order.

(a) THE CHENGTINGFU-TAIYUANFU RAILWAY.

The route of this railway runs from Chêngto, a station on the Ching-Han line a few miles south of Chengtingfu, by way of Pingting-

chow to Taiyuanfu, the capital city in Shansi. The length of the line when completed will be about 170 miles.

A concession for its construction was secured by the Russo-Chinese Bank prior to the Boxer troubles, and embodied in an agreement dated the 21st of May 1898. The estimated cost at that time was 25,000,000 francs. The line was to be divided into two sections,—namely, from the point at which it leaves the Belgian line to the coal mines north of Pingtingchow and thence to Taiyuan.

Shortly after the arrangement was come to, however, the proposed route was surveyed, when it was found that the country offered so many obstacles to railway construction that the probable cost of the line would be far greater than in the first instance had been estimated. Accordingly, on the resettlement of the country after the Boxer troubles, new terms were arranged with the Chinese Government.

The revised arrangement is contained in two documents,¹ a loan contract and a working agreement.

The amount of the loan is 40,000,000 francs at 5 per cent. per annum, redeemable in twenty years calculated from the tenth year after the date of issue. It is secured on the undertaking in the usual way, and, unlike the loan of 25,000,000 francs previously authorised in respect of this railway, it is guaranteed by the Chinese Government. The working arrangements are similar to those in force on the Ching-Han Railway.

The work of construction was commenced under the supervision of the Ching-Han Railway engineers in 1903, the metre gauge being adopted with a rail of 60 pounds to the yard. But progress has been slow owing to the tremendous engineering difficulties that have been encountered, and at the time of writing the railhead has only reached a point a few miles beyond Pingtingchow.

The prospects of the line, however, are thought to be good. Lord Charles Beresford gives it as his opinion that when completed it will be “one of the finest properties in China.” It will serve by no means the least wealthy portion of a wealthy province, and as the country and its resources are developed it should certainly prove a remunerative investment for capital.

Some have professed to see in the railway the commencement of a flank attack on China through Central Asia. They assume its ultimate extension to Hsianfu, where it would in course of time

¹ Appendix F, Nos. 1 and 2.

effect a junction with a continuation of the Russian Central Asiatic railway from Tashkend by Vernoe and Kuldja.

On the other hand, the correctness of this view is somewhat discounted by the fact that some time ago the Russo-Chinese Bank assigned all their rights under the concession to an independent French Syndicate, so that whatever may have been the original object with which the concession was secured, there is no particular evidence at the present time of the existence of a Russian scheme to invade Peking from this quarter.

(b) THE KAIFENGFU-HONANFU-HSIANFU RAILWAY.

The right to construct this line was granted in the autumn of 1903 to the Compagnie Generale des Chemins de Fer et Tramways en Chine, a Belgian company whose interests harmonise with those of the Compagnie d'Etudes, the concessionnaires of the Ching-Han Railway.

Under the contract,¹ which was signed by Sheng Ta-jen and M. Armand Rouffart, the company's representative in China to whose energies the grant of the concession was mainly due, the company have the right to construct a line from Kaifengfu, the capital of Honan, which lies to the south of the Yellow River and east of the Ching-Han Railway, to Honanfu, and thence to extend to Hsian-fu in the heart of Shensi. The conditions are generally similar to those of the Ching-Han Railway. The loan is a 5 per cent. gold loan guaranteed by the Imperial Government, and issued at 90 per cent. The length of the line to be constructed between Kaifengfu and Honanfu is approximately 225 kilometres, and the estimated cost of construction is 110,000 francs per kilometre, or approximately £7000 per mile. In the first instance, therefore, the amount of the loan was put at 25,000,000 francs, but provision exists for increasing the amount to meet future requirements in respect of the section beyond Honanfu into Shensi.

Since the agreement was concluded the line has been constructed between Kaifengfu and Chengchow, where it connects with the Ching-Han Railway, and opened to public traffic in April last (1907).

The prospects of the railway commercially are exceptionally good. Connecting with the Ching-Han line, it will traverse a fertile

¹ Appendix F, No. 3.

and populous country, ultimately penetrating and assisting in the development of a province which by repute is one of the most wealthy regions in China. Furthermore, in the event of the German scheme for the extension of the southern fork of their Shantung line to Kaifengfu maturing, the development of a valuable traffic may be confidently expected. Competition will be set up between Hankow and Tsingtau as the port of entry for the province of Shensi. This should induce low rates, which again should re-act favourably on the trade, resulting in a rapid increase in its volume and swelling the traffic receipts of the line immediately serving it. Again, extension in a westerly direction to link up with the Russian system of Central Asia, if an improbable, is not an impossible, development, or, as hinted in the note in regard to the Chengting-Taiyuanfu Railway, the Russian system might in the fulness of time be continued into China from the west and link up with the Chinese system at Hsianfu. In either case an increase in traffic must necessarily ensue.

(c) THE SWATOW-CHAOCHOWFU RAILWAY.

The Treaty Port of Swatow, in the province of Kwangtung, opened to foreign trade by the treaty of Tientsin, is the starting point of a small local line that runs through easy country to Chaochowfu, the seat of the local government, some 30 miles inland. The enterprise, which was undertaken at the instance of Mr. Cheung Yung, a native of Swatow, who amassed a vast fortune in the Straits Settlements, was completed at a cost of \$3,000,000. The necessary capital was subscribed entirely by Chinese, the work of construction being in the hands of Japanese engineers. Matters were somewhat delayed in the earlier part of 1905 owing to serious friction that arose between the Japanese and the natives in connection with the expropriation of land for the railway. The difficulties, however, were in due course settled, the railway being completed and opened to traffic at the end of 1906.

The object of the line is to bring Chaochowfu, which is a prosperous city and the chief centre of trade for the eastern portion of Kwangtung and Western Fuhkien, into direct communication with the sea. It is a line that with reasonably good management should yield a fair return and give a considerable impetus to the trade, both export and import, of Swatow.

(d) THE CANTON-KOWLOON RAILWAY.

The island of Hongkong became a British Crown Colony in 1843. In the years that followed it became obvious that the acquisition of territory on the adjacent mainland was essential to the existence of the colony. In the first place, the cramped conditions of life on the island promised to form an obstacle to its development; and secondly, from a strategic point of view, with the mainland in hostile hands the island was virtually untenable, or as Mr. Wingrove Cooke put it, "if any other Powers should take Kowloon—and what is to prevent them?—the harbour of Hongkong is lost to us."

Wingrove Cooke was not the only man who saw the necessity that had arisen. Sir Harry (then Mr.) Parkes was also acutely conscious of it, and very shortly after the Canton Provisional Government was established in 1858, he took the opportunity, which his position as one of the Commissioners gave him, to arrange with the Governor of Canton a perpetual lease of an area of four miles in the Kowloon Peninsula. The lease was subsequently confirmed by the Imperial Chinese Government in the Peking Convention of 1860. In 1898 a further area of mainland was brought under British jurisdiction by the grant of a lease for ninety-nine years.

In the same year the British and Chinese Corporation obtained a concession for the construction of a railway between Canton and Kowloon, it being one of the five lines exacted from the Chinese Government by Sir Claude MacDonald on the grant of the concession for the Peking-Hankow line to the Belgian Syndicate. Until quite recently, however, nothing had been done since the preliminary survey nearly seven years ago.

This inaction on the part of the British concessionnaires became the subject of strong criticism by the late Governor of the Colony, Sir Henry Blake, by the Hongkong Chamber of Commerce, in the columns of *The Times*, and other places, it being strongly felt that if Hongkong was to remain the distributing centre for South China railway communication between the colony and Canton was essential.

In order to show the importance attached to this line by those in a position to form an opinion, the following remarks by the Hon. Gershom Stewart of Hongkong, speaking in October 1905 in

support of a petition to the Governor in this connection, may with advantage be reproduced.

After dwelling upon the length of time that had been allowed to elapse by the concessionnaires without making any attempt to work the concession, he continued :

" Whatever the reason, the fact remains that a big financial body like the British and Chinese Corporation have utterly failed to utilise the concession that they have held, and it is unreasonable to suppose that this colony will sit still and run the risk of tremendous injury without endeavouring to do something to protect itself. . . .

" I would be averse entirely to urging the colony to pledge its revenue in the spirit of adventure in any enterprise, however hopeful the result might look, but this is a matter of exceptional interest entirely. I would consider any expense the colony might go to as advisable as any outlay on water supply or for sanitary purposes. It is necessary to protect ourselves. As any individual man who is attacked by his enemies will gladly accept a blow on a non-vital part if it saves him a blow on a vital part, so, I think, we ought to be willing to undertake some risk in laying out a portion of our revenue, so that we may save the whole. I think it would be perhaps fair, if Your Excellency agrees with the prayer in our Address, to point out that this colony annually subscribes a very substantial sum for Imperial purposes. Kiaochau has cost Germany £3,500,000, and the French have spent millions in Tonkin, and they are allowing that colony to increase its liabilities by guaranteeing interest on their railway into Yunnan. The case, as put before you, is put in the worst light because it is perfectly likely that, if the colony is allowed to take a hand in this enterprise, people might offer to build the railway at a less guarantee than we have asked for. . . .

" This proposition is not put forward by us as the best possible one. If any better one came forward this Association would give it its entire and hearty support. What we would like to see laid down is the broad principle that for the preservation of this colony, and the safeguarding of British interests in Southern China, the colony be empowered, if necessary, to pledge its credit to ensure the making of this railway and securing the terminus in Kowloon."

As has been remarked, these observations were made in October 1905. Before the end of that year serious steps had been taken to secure the early construction of this important line.

At the risk of repetition, it should be observed that the line falls into two clearly defined sections. For an estimated distance of about one hundred miles, between Canton and the boundary of the Kowloon territory, the line runs through a country which is subject to Chinese jurisdiction. At the Kowloon boundary, however, it falls within British jurisdiction, the distance between

this point and the port of Kowloon being rather more than twenty miles.

The arrangement arrived at in principle between the Chinese Government and the British and Chinese Corporation in 1898 was confined, of course, to the former, or Chinese, section, the British section being a matter for the consideration of the Government of the colony of Hongkong.

This being the position, Sir Matthew Nathan, who succeeded Sir Henry Blake as Governor of the Colony, proceeded to address himself to the subject of the railway, with the result that in the early part of 1906 the construction of the section in the Kowloon territory was undertaken.

In the meantime the British and Chinese Corporation had opened negotiations with the Waiwupu on the subject of the Chinese section of the railway, and after a series of vexatious delays they succeeded in negotiating an agreement on the 7th of March 1907.¹

By the terms of this document provision was made for a loan of £1,500,000, redeemable within thirty years from the 7th of March 1907, by annual drawings commencing in 1920, in accordance with the amortisation table annexed to the agreement. The price of the bonds to the Corporation was 94 per cent. of their nominal value; while the loan, which bears interest at the rate of 5 per cent. per annum, is to be secured by a mortgage on the whole undertaking and unconditionally guaranteed by the Chinese Government. The administration of the railway is vested in "a Chinese managing director (appointed by the Viceroy) with whom will be associated a British engineer-in-chief and a British chief accountant"; provision being also made for working arrangements to be entered into between the Governor of Hongkong and the Viceroy of Canton for the joint operation of the British and Chinese sections.

With these matters satisfactorily settled, the loan was issued to the public in April last, the bonds being taken up at par,—a circumstance which affords a sufficiently striking testimony to the value of the security presented by the undertaking.

Construction has now commenced, and in the opinion of Sir John Wolfe Barry and Mr. A. J. Barry, consulting engineers to the Corporation, "the line offers no serious engineering difficulties, and can be completed in all respects as a first class railway of a standard gauge within a period of three and a half years, at a

¹ Appendix F, No. 4.

total cost not exceeding the amount provided by the proceeds of the loan."

The British section in the Kowloon area, on the other hand, has presented considerable engineering difficulties. It is anticipated, however, that its construction will be completed by the time the Chinese administration is in a position to make the necessary connection at the Kowloon frontier.

(e) THE MACAO-FATSHAN RAILWAY.

"The settlement of Macao," wrote Mr. Michie, "is a monument of Chinese toleration and Portuguese tenacity."¹ It is situated opposite Hongkong, from which it is distant some forty miles, and has communication with Canton by a branch of the Pearl River. The Portuguese were first allowed to settle there about the middle of the sixteenth century, and succeeded in maintaining their settlement until finally in 1887 it became a colony of Portugal in consideration of assistance rendered in the collection of the Chinese opium revenue.

Macao was the first foreign settlement to be effected in China, and until the island of Hongkong was ceded to Great Britain it was the entrepôt for the whole Empire. "For three hundred years it was for foreigners the gate of the Chinese Empire, and all influences, good and bad, which came from without were infiltrated through that narrow opening, which also served as the medium through which China was revealed to the western world."²

Macao, however, has never been able to compete with Hongkong, which boasts incomparably superior harbour accommodation, "accompanied by a security which the Portuguese Administration was unable to confer."³ And so the days of its commercial supremacy passed away; the new colony took its place as the great entrepôt, and Macao rapidly declined into a port of secondary importance and a pleasure resort for the residents of South China, for which its advantages of climate and position render it peculiarly fitted. Such trade as exists is almost entirely in the hands of Chinese, who, with a population of over 75,000, swamp the 3000 to 4000 Portuguese in the colony, of whom, outside official classes, nearly 90 per cent. are of mixed blood.

Shortly after the conclusion of the Boxer troubles it occurred to the Portuguese authorities that the colony might be infused with

¹ *The Englishman in China*, vol. i. p. 287.

² *Ibid.*, p. 296.

³ *Ibid.*, p. 294.

new life by the introduction of a railway. The idea was accordingly put into execution, and a concession obtained from the Chinese in 1902 for a line from Macao to Fatshan on the south bank of the West River and on the railway between Canton and Samshui. The conditions were finally settled in the autumn of 1904 with the Chino-Lusitanian Syndicate. The agreement provides that the shares in the concession are to be held half by Chinese and half by Portuguese subjects. The affairs of the railway are to be in the hands of the Syndicate, and free from interference by the Portuguese Government. The concession is for fifty years. During that period the annual profits to an amount equal to 6 per cent. on the capital after paying working expenses go to the Syndicate, and up to but not exceeding a further 3 per cent. to a sinking fund. Any surplus is to be divided between the Chinese Government, who will take 30 per cent., and the Syndicate, who will take the balance. At the end of fifty years from the opening of the railway it reverts to the Chinese Government, subject to the condition that if by that time the sinking fund has not met the capital expenditure of the company the Chinese Government will make good the deficiency.

It has been argued that the construction of this railway will do much to restore the ancient glory of Macao, and tend to deprive Hongkong of much of her commerce. This view, however, seems to attach an undue importance to the undertaking. In the first place, before Macao can begin to compete with Hongkong extensive dredging operations will require to be undertaken in the harbour, at an estimated cost of £100,000. Secondly, trade routes tend to become fixed. Those who have built up to the conditions and now control them will not easily be moved from the place where they have settled themselves and invested vast sums. The great eastern houses all have offices at Hongkong, and it is little business that will be attracted to Macao. Lastly, the Kowloon line should effectually counterbalance any advantage in favour of Macao that would accrue from the construction of this railway.

(f) THE BURMAH-YANGTZE RAILWAY.

Upper Burmah was annexed by Great Britain in 1886, the occasion being certain high-handed proceedings by King Theebaw directed against a British trading company, which had been pre-

ceded by a very unsatisfactory attitude towards Great Britain, accompanied by a corresponding and unnecessarily marked friendliness to the people of other nations. The step was necessary for the protection of our Indian frontier, and in order to prevent a European Power wedging itself in between India and China. France, as we have seen, was busy extending the borders of her Indo-Chinese Empire, and had not Upper Burma become British it would very shortly have become French. It was also essential to secure control of the navigation of the Irrawaddy.

Shortly after the annexation occurred, the question of the improvement of communications between India and China was raised ; and it has remained under discussion ever since.

The first to advocate the construction of a railway was Mr. Holt Hallett. By the time the annexation took place a line of well-equipped river steamers was plying regularly on the Irrawaddy from Rangoon to Mandalay and even up to Bhamo, near the Chinese frontier, through which runs the caravan route, the main highway of trade between India and China. Mr. Hallett therefore proposed a line following the caravan route, which enters China a few miles beyond Bhamo.

A few years previously a suggestion had been made to approach China from the south through Siam and the Shan States, but it failed to find supporters, and for various reasons it has since been abandoned. But the route proposed by Mr. Holt Hallett found a good deal of favour in the eyes of the Indian Government, and has been roughly surveyed by several expeditions.

The physical difficulties of the Bhamo route, however, are said, for practical purposes, to be insurmountable, and after a series of unfavourable reports it has now been abandoned in favour of entering China by Kunlon Ferry, which was first advocated by Mr. A. R. Colquhoun. But here, too, as Mr. Colquhoun frankly admits, the physical difficulties are by no means inconsiderable, as the mountain barriers running north and south between the great rivers present obstacles of a very serious nature, while the extension beyond Talifu would involve a long lead through a country for the most part sparsely populated.

Baber's opinion is even more emphatic :

" I do not mean that it would be absolutely impossible to construct a railway. A high authority has informed me that if shareholders will provide the money they will always find an engineer to spend it. By piercing half

a dozen Mount Cenis tunnels and erecting a few Menai bridges, the road from Burmah to Yunnanfu could doubtless be much improved."

These discouraging circumstances notwithstanding, the idea of a Burmah-Yangtze Railway continued to be freely discussed, though no move was made officially in the matter until 1898. In that year the British Government took the opportunity of the acquisition by France of rights in South China to secure the recognition of the British right to continue the Burmah system into Yunnan, it being then understood that as soon as a syndicate could be found to undertake the construction the necessary concession for the railway would be granted.

In the autumn of 1898 a syndicate came forward in the shape of the Yunnan Company Limited, and arranged to send a survey party into Yunnan. The preliminary reports of this party were sufficiently favourable to cause the company to apply in September 1899 for a concession for a railway from Kunlon Ferry via the Namting Valley to Talifu, thence to Yunnanfu, and from some point between Talifu and Yunnanfu to the Yangtze River, the actual route to be at the option of the company.¹

With the concurrence of the British Government the application was put forward by Mr. Bax-Ironside, H.M. Chargé d'Affaires in Peking. It was refused, however, by the Tsung-li Yamen, who denied having pledged themselves in the previous year.

In reply the British Government sent the following instruction to Mr. Bax-Ironside :

" You should inform the Chinese Government that Her Majesty's Government cannot admit that the application is one which they are free to reject, as they consider the promise made to Her Majesty's Minister by the Tsung-li Yamen on the 11th April as binding.

" The construction of the railway to Kunlong Ferry is in an advanced condition, a portion of it having already been opened to traffic, and the Yunnan Company will continue the requisite surveys, in order to be ready to continue the line beyond Kunlong."²

The Chinese Government, however, still maintained their position, and the Tsung-li Yamen was therefore notified that Her

¹ The route as shown in the map at the end of the present volume is merely a rough sketch designed rather to illustrate the idea of the railway than to indicate with exactness the precise line of country that it would follow.

² Blue Book No. 1 of 1900, No. 369.

Majesty's Government adhered to the view already expressed, and had no intention of abandoning it.

The survey operations were continued until the Boxer outbreak caused the party to leave the province.

At this point the project was dropped, or at least fell into abeyance, and during the past five years nothing further has been heard of it.

On the Burmah side the railway has reached Lashio, approximately two-thirds of the way from Mandalay to Kunlon Ferry. At this point the work was stopped shortly after Lord Curzon's arrival in India on the occasion of his first Viceroyalty, as he doubted the wisdom of spending Indian revenue on an undertaking of this nature.

From this combination of circumstances it may not unreasonably be assumed that the project lacks the elements of commercial success. In the preceding chapter¹ reference has been made to the resources of the province of Yunnan. It should be added that at the present time the province is seriously under-populated, and but slowly recovering from the ravages of the Mahomedan rebellion, which raged between 1856 and 1873, reducing an estimated population of sixteen millions to approximately six millions. In former times the bulk of the population were employed in mining; now their chief pursuit is agriculture, the mining industry having suffered by official interference.

From the point of view of the province itself, the construction of a railway is extremely desirable. The conclusion, however, may be hazarded that unless political considerations render its construction desirable it will be many years before a railway will be built, except perhaps a line from Kunlon Ferry to Talifu, which with economical management might be made to justify its existence.

(g) THE KIANGSI RAILWAY.

As far as geographical conditions are concerned the province of Kiangsi is for the most part peculiarly well adapted to railway development, with the result that lines running in a great variety of directions have from time to time been discussed. Of these the most important have been the suggestions to put Nanchang, the capital of the province, into rail communication with Canton by a line running up the Kan Valley, and again a line between

¹ *Ante*, pp. 165, 166.

Nanchang, Kuanghsin, and Hangchow, where it would join the projected Shanghai-Hangchow-Ningpo Railway.¹ Neither of these schemes, however, matured, and they have now given place to a more comprehensive scheme, which, however, embodies both of them in principle.

In the winter of 1904 the Throne was memorialised to permit the official construction by Chinese themselves with Chinese capital of a railway from the Treaty Port of Kiukiang to Shaochau, in Kwangtung, in four sections—Kiukiang to Nanchang, Nanchang to Kian, Kian to Nanan, and Nanan to Shaochau, where it would connect with the projected Hankow-Canton Railway. At the same time the construction of branches between Nanchang and Changsha, and in a westerly direction to Kuanghsin, with the right of further extension, was advocated. According to a later memorial, the funds were to be provided by raising share capital in the province and increasing the duty on salt.

The project in due course received the assent of the Throne, and it was subsequently announced that the local officials had decided on the construction, in the first instance, of the first section only, that between Kiukiang and Nanchang. No steps, however, appear to have been taken to give effect to this determination,² and future developments will be closely followed. The project having had an official origin, it will be of interest to learn whether the movement represents a genuine awakening of the official consciousness to the advantages of development of the country by means of improved communication, or if it is simply one of those transient progressive ebullitions which result in the formulation of schemes which fail to pass beyond the stage of contemplation.

There is no reason why the proposed railway, if carefully managed, should not prove remunerative. The country is easy, and the line should therefore be susceptible of economical construction, while it would effectively open up one of the richest tea districts in the Yangtze, which is at present dependent on the Kan River and the Poyang Lake.

¹ It will be remembered that in 1899 the British and Chinese Corporation unsuccessfully endeavoured to secure the right to construct the first section, i.e. that between Hangchow and Kuanghsin, of this railway. *Ante*, p. 131.

² It was recently rumoured that in order to overcome the cause of the delay, namely, lack of funds, a loan for Taels 1,000,000 had been arranged with a certain foreign firm. The rumour, however, lacks official confirmation.

CHAPTER XVIII

CONCLUSION

THE present stage of railway development in China may be most conveniently summarised in the form of tables showing the mileage of lines in operation, of lines under construction, and of projected lines, the construction of which either by Chinese or foreign capital has been sanctioned by the Chinese Government. The source, or rather for want of a better term the nationality, of the capital which has been or is to be employed in the various undertakings may, not without advantage perhaps, be also indicated.

RAILWAYS CONSTRUCTED AND IN OPERATION.

Railways.	Length in Miles.	Nationality of Capital employed.
Imperial Railways of North China .	588	Chinese and British
Chinwangtao Branch	4	British
Chinese Eastern	1596	Russian
Peking-Hankow	760	Belgian
Canton - Hankow ; Canton - Fatshan- Samshui Branch	30	American
Hsiling Branch	36	Chinese
Taokou - Tzechoufu ; Taokou - Pashan Section (built by the Pekin Syndicate Ltd.)	90½	British
Pinghsiang - Chuchow	66	Chinese
Shantung Railway ; Tsingtau- Chinanfu Branch	280	German
Shanghai-Woosung	10½	Chinese
Hsinminting-Mukden	48	Japanese
Swatow-Chaochowfu	30	Chinese
	3530	

RAILWAYS UNDER CONSTRUCTION.

Railways.	Length in Miles.	Nationality of Capital employed.
Shanghai-Nanking	200	British
Laokai-Yunnanfu	280	French
Macao-Canton	130	Sino-Portuguese
Cheenting-Taiyuanfu	160	French
Kaifengfu-Honanfu-Hsianfu Railway; Kaifengfu-Honanfu Section	140	Belgian
Wuhu-Hangchow	150	Chinese
Canton-Kowloon	100	British
Peking-Kalgan	125	Chinese
	1285	

RAILWAYS PROJECTED AND SANCTIONED BY THE CHINESE GOVERNMENT.

Railways.	Length in Miles.	Nationality of Capital to be employed.
Canton-Hankow	822	Chinese
Hankow-Chengtu	800	Chinese (and failing Chinese, Anglo-French)
Tientsin-Nanking	600	Two-thirds German ; one-third British
Shantung Railway, Southern Branch	200	German
Pukou-Hsinyang	270	British
Soochow-Hangchow-Ningpo	200	British
Taokou-Tzechoufu; Pashan-Tzechou-fu Section	35	British
Kiangsi Railway; Kiukiang-Nanchang Section	76	Chinese
Langson-Lungchow	46	French
Burmah Yangtze	700	British
Kaifengfu - Honanfu - Hsianfu ; Honanfu-Hsianfu Section	200	Belgian
Kwangchengtze-Kirin	75	Chino-Japanese
Antung-Mukden	150	Japanese
	4174	

SUMMARY.

Constructed.	Under Construction.	Projected.	Total.
3539	1285	4174	8998

In some instances the figures in these tables will be found to be somewhat inexact. It has not been possible in every case of a line already constructed, or of a line under construction, to verify its length or proposed length by personal reference to the Engineer-in-chief, so that error may not have been altogether avoided. In justice, however, it may be remarked that the figures have been obtained from what may fairly be regarded as almost equally reliable sources. Again, in the case of some of the projected lines, nothing but the roughest of surveys has been made, and the figures therefore are at times only approximate. It is believed, however, that they will be found in the main to represent correctly the position of affairs at the time of writing, and should at anyrate prove sufficient for our purpose.

These tables suggest a further table showing how China's railway system compares with that of other countries. It would be unreasonable, however, to take extreme instances of railway development such as those of Great Britain, the United States, and many countries of Europe. A fairer comparison would be one instituted between China, on the one hand, and Japan, India, and the Russian Empire, on the other. A table on these lines has accordingly been framed—in the case of China, railways under construction being included. The statistics of the other countries are taken as at the beginning of 1904.

Country.	Population.	Area. Square Miles.	Mileage of Railways.	Number of Square Miles to 1 Mile of Railway.	Population to 1 Mile of Railway.
Japan . . .	44,260,606	162,655	4,237	38·38	10,446·21
India . . .	231,899,507	1,087,204	26,956	40·33	8,602·89
Russian Empire	128,161,249	8,379,044	37,930	220·90	3,378·88
China and Manchuria .	372,000,000	1,780,000	4,824	368·98	77,114·42

Without a word of explanation these figures scarcely do justice to Russia, as they include Asiatic Russia, which, though it represents three-fourths of the area, accounts for less than one-seventh of the railway development of the Empire. The effect of this is to distract attention from the figures of European Russia, which, with an area of approximately two millions of square miles and one hundred and five millions of population, shows an advanced stage of railway development.

The figures in regard to China, on the other hand, err in the opposite direction, as they are given in regard to China Proper and Manchuria alone, and do not include the other outlying provinces of the Chinese Empire. Were these regions also included the figures in regard to area would be, at least, 50 per cent. more unfavourable than they are at present, though the increase in the number of inhabitants per mile of railway would not be considerable.

These observations tend to show that statistics of this kind, though interesting, form by no means reliable guides. Obviously the relative proportion of railway mileage to area forms no true criterion of development, unless the conditions of the countries to be compared are approximately the same. Similarly, the figures in regard to population are deceptive unless tempered by considerations of area. In a case of close comparisons such statistics might prove unsound premises.

In the above table, however, this danger does not arise, and the fact that the statistics of China's railways have been put in the most favourable light, while those of Russia have received the reverse treatment, only serves to emphasise the backwardness of the development of the Chinese system. It is true that China has excellent water communications; so also has Russia. But these cannot fill the place of railways, though they may supplement them and go far towards minimising the effects of their absence. To be brief, therefore, the inevitable conclusion is that railway enterprise in China is still in its infancy, and the interesting question presents itself as to the direction in which the development of the future will proceed.

Reviewing the history and analysing the present position, we see that a system which, in theory at least, is a system of State railways has been evolved. The circumstances of its evolution have been largely, if not entirely, fortuitous, though, on the other

hand, events have from time to time occurred which seemed almost to indicate the existence of a policy.

Li Hung Chang's pronouncement in 1863 reads like the laying down of a policy. China's steadfast refusal of the various offers of European syndicates after the French war lends support to the same idea. Again, there is the form of the concession contracts. These vary in terms, but, with the apparent exception of the German line in Shantung, there is not one line constructed or where the construction is authorised of which China has not secured the right, some time or another, to assume the sole control.

It would be pleasant to attribute these things to a consistent adherence to a well-considered policy, but probably those at all acquainted with Chinese methods and modes of thought will be unable to regard them otherwise than as the undesignedly chosen form of the expression of their very consistent dislike to foreign enterprise. The action of the local Shanghai authorities in connection with the Woosung Road, for example, bears the impress of this spirit more than anything else; and though not altogether incompatible with, must be considered, on the whole, to have largely discounted, the effect of Li Hung Chang's earlier utterance. Had they recovered the railway, and then continued to work it as a Government undertaking, their action would have lent a strong support to a suggestion of a continuity of policy. As it was, their proceedings are susceptible of a far less statesmanlike interpretation. Again, the conditions prevailing at the time when the grants of concessions to foreign syndicates were made were purely the result of China's historical evolution, and cannot possibly be regarded as the outcome of any policy. The Chinese Government was the victim of circumstances rather than the moulder of events to its own ends.

But this question is perhaps one of merely academic interest. The fact of chief concern is that a State system has been evolved, and that, as far as can be seen, the Chinese policy of the day is to follow in the same path.

In connection with these conclusions, three principal questions present themselves. Firstly, how far will the policy of foreign Powers interfere with the future development of this State system? Secondly, is a system of State railways the most desirable for China? And, thirdly, assuming such a system to be the most desirable, on what lines can it be most usefully developed?

These questions open a wide field for discussion. That which first confronts us, as to how far the policy of the foreign Powers will interfere with the future development of the Chinese system of State railways, virtually raises the problem of the future of the Far East. It also involves, even at the risk of travelling well-worn paths, a brief reference to the history of foreign relations, and an excursion into the domain of politics which it has seemed desirable as far as possible to avoid.

It was remarked in the opening chapter that the history of railway development in China reflects the tendency of the Far Eastern policy of foreign Powers. On examination this will be found to be very true, particularly of the later stages of foreign intercourse. The aim of the first foreigners in China was the development of commercial relations, such success as was achieved being due in the main to the initiative of the British. And "whatever may be said of other nations, the intercourse of Great Britain and the United States with China, from the earliest period to the latest, whether in peace or war, has had no other object than trade between the nations."¹ Splendidly situated in time past for territorial aggrandisement in the Far East, the British ideal has been to open up China to the commerce of the world; and the British policy of equal opportunity for all has been consistently true to the old tradition. Similarly, Sir MacDonald Stephenson aimed to promote the general good of Chinese and foreigner alike, while the promoters of the Woosung Road, whose primary object was to provide an object-lesson to the Chinese, must be credited with the possession, to some degree at anyrate, of such a feeling.

The stage of China's railway progress from 1879 to the Chino-Japanese War finds its counterpart, though not very strongly marked perhaps, in what, from the foreign point of view, was the somewhat unprogressive period that now ensued: for some years the scope for foreign enterprise in China was distinctly limited. But with the closing years of the nineteenth century the parallel more clearly emerges. By this time the growth of knowledge of China's resources had aroused interest in European countries, and had given rise to a desire for closer intimacy. Foreign Governments began to give more attention to Far Eastern affairs. A new policy commenced to be developed, or rather, looking at the history, we should say expression began

¹ *The Englishman in China*, Alexander Michie, vol. ii. p. 167.

to be given to a policy that was old, at least, in the case of Russia and France, and which in effect was nothing more than a policy of colonisation. To distinguish it from the older British ideal, catch phrases were invented, "spheres of influence" and "the open door."

How it fell to Germany to make the first practical application of the new doctrine is ancient history, and has been already dealt with. Reference has also been made to the circumstances of the lease of Port Arthur and the Liaotung Peninsula, and of the French occupation of Kwangchauwan. It is to be noted, however, that these Powers still maintained a theoretic adherence to the principle of the open door. Their territorial acquisitions, it was claimed, were primarily punitive in the case of Germany and France; while the Russian move was designed to preserve the balance of power.¹

With the history before him the reader is in a position to form his own conclusions in regard to these matters. The point to be noted here is that in 1898 a new and unprecedented condition of affairs had been created in the foreign relations of China.

At this stage Great Britain, seeing how things were going, and not caring apparently to make any attempt to stem the tide, by way of keeping at least one portion of China open and free, extracted an undertaking from the Chinese Government guaranteeing the non-alienability of the Yangtze Valley to any foreign Power.² As a sop to public opinion, a lease of Weihsien was secured a little later; it was represented as a counter-move to the occupation of Arthur Port. By making the arrangement with Russia in 1899 in regard to railway interests in Manchuria and the region of the Yangtze Valley, Great Britain seemed to go near to subscribing to the new policy.

These events mark the conclusion of what, speaking broadly, we may call the third stage in the history of foreign relations—the period of the growth and struggle of opposing international forces in the Chinese arena.³ They have their counterpart in the "Battle of Concessions"—the logical outcome of the new policy. The obvious tendency of foreign ambitions at this time in regard to railway enterprises was to secure a monopoly of rights within the regions of their respective spheres of influence, and as far as possible to exclude not only other foreigners but the Chinese

¹ *Ante*, Chaps. VI., XV., and XVI.

² Appendix G.

³ Appendix A, No 5.

themselves from any share in the control or management of any railways that might be constructed in the development of those regions.

The period, therefore, between the seizure of Kiaochau and the first Anglo-Japanese alliance was a critical one. It was an open question as to which of these two rival policies was to prevail. It was a matter of far-reaching importance to China in which direction the pendulum would swing. As far as railways were concerned, the policy of the "Open Door" would leave China free to develop her system in the way that might seem best to herself; while the alternative policy, as already noted, must inevitably tend to the development of foreign-owned railways entirely free from Chinese control.

In a spirit half of warning half of prophecy Thomas Taylor Meadows, writing half a century ago, spoke of the time when, as in the Near East so in the Far East, a Sick Man should have been created. That time had now arrived. The integrity of China seemed necessary to the world. When, therefore, the Boxer outbreak occurred Great Britain took the opportunity to approach Germany and arrange an understanding on these lines, immediate steps being taken to secure adhesion to the principle by the other Powers.¹ Subsequently, when Germany denied the applicability of the principle to Manchuria, it became the foundation of the Anglo-Japanese Alliance. It may thus be said that as far as anything can be secured by treaty the policy of equal opportunity has been secured.²

Theoretically, the time for partition has passed away. China is less weak than formerly, and the Powers are combined to preserve her existence. But it must not be forgotten that a crisis has yet to come and go before any hope can exist of forming any reasonably certain conclusion as to the future. At present it can only be a matter of speculation. At any moment death may visit the Imperial palaces, and the Empire be cast into the throes of a great dynastic struggle. On one plea or another the opportunity may be taken by Powers favourably situated to occupy

¹ *Blue Book No. 5 of 1900.*

² Declarations securing the application of the principle in territories leased by foreign powers had, between September 1899 and February 1900, been made, at the instance of the United States Government, by France, Germany, Great Britain, Italy, Japan, and Russia.

territory. Everything will then depend on the strength and sincerity of the Anglo-Japanese alliance, and conclusions based on our present premises might be falsified.

This latter consequence, however, is perhaps not very probable ; and in any case we are bound to assume that the policy of England and Japan must be the policy of the future. In our present connection, therefore, we are justified in concluding that the development by the Chinese of their own system of railways on their own particular lines is not likely to be interfered with by the territorial aggressions of foreign Powers.

This brings us to our second point. Is a system of State railways the best conceivable for China ?

Without overstating the case, the answer, put briefly, is this. Not only is a State system on the whole the best conceivable for China, but it may be said to be the only possible system for the country. The ordinary considerations which determine the advisability of railways being under State control, or in the hands of private enterprisers, do not arise here. These are questions of administration of railways after their construction. In private hands they would but in a few instances reach that stage.

Co-operation among Chinese on an extended scale, for the undertaking of enterprises of any magnitude, is a stage of commercial development to which the Chinese have yet to attain. As already pointed out, joint stock enterprise has few attractions, and except in parts of China within the range of foreign influence it is virtually unknown. Of this there is a recent case. While the Canton-Hankow concession was still in American hands the wealthy merchants of Hunan were prepared to combine to redeem the American interest. When terms for the cancellation had been arranged the intending subscribers withdrew.¹ If further illustra-

¹ The subsequent history of this line seems at first sight to afford an exception to the foregoing proposition. The exception, however, is more apparent than real. In order to popularise the undertaking the shares issued were of the extremely low denomination of \$5 each, the call of 20 per cent., which was made, meaning a subscription of \$1 only for the time being. The result, it is said, was that chair-bearers, beggars, and many thousands of humble persons of the coolie class—anyone, in fact, who could muster a dollar—immediately became subscribers to the extent of one share each, in the belief that as shareholders they would be in a position to command lucrative employment under the railway administration. The proportion of capital subscribed by what in other countries would be described as the investing class was, it is stated, insignificant, and when further calls on shares are made and the conditions more fully appreciated the humble investor will no doubt retire from the field and the true state of affairs will be revealed.

tion is required we have only to recall the early history of the Imperial Railways of North China. This commenced as a private enterprise. Capital was raised only with extreme difficulty for the section between Tientsin and Kuyeh. Eventually Li Hung Chang had to take it up as a Government undertaking.

Again, private railway enterprises will make but little headway against the local prejudice which still exists in many parts of China. Few things can be accomplished without official support, which, under the existing system of administration, is often an expensive luxury. Private railway enterprises would be subjected to a heavy toll, which must inevitably prove a serious tax. And though a fair margin of profits be assured, the uncertainty of the extent of "extraordinary working expenses" robs a sound proposition of attractiveness. This is one explanation of the Chinese preference for enterprises on a limited scale. The same objections, scarcely in less degree perhaps, apply in the case of private enterprise under State guarantee, for among their own people the Chinese Government have the reputation of failing to observe their obligations.

In addition to these practical difficulties there is the objection to creating a dual system. It is important for the Chinese Government to note this point at the present stage, for various schemes are on foot for the construction of railways as private enterprises with and without State guarantee. In all probability these schemes will not fructify, but they cannot be ignored. One is in connection with the Tientsin-Nanking line. The attempt is being made to procure the cancellation of the concession to the Anglo-German combination, and the proposal is to form a Chinese company under a State guarantee of interest. It remains to be seen whether, assuming the cancellation of the Anglo-German concession to be effected, such a scheme is practicable. If it should prove so, it would be a matter for regret in the interest of the country that any obstacle should be put in the way of so important a development. On the other hand, it would be desirable and probably not difficult so to arrange matters as to pave the way for bringing the line into harmony with the rest of the system in the future if not at the present time.

Let us now assume that initial difficulties in the way of private enterprise can be overcome, and consider the argument from the

point of view of administration. This also will be found to be all in favour of a State system.

One of the chief arguments that has been made against State control in England is, that labour troubles would be frequent and more difficult to deal with by the Government when itself the employer of labour. It does not appear an overwhelmingly powerful argument even when applied to the circumstances of English railways. In China it would not apply at all. A Government administration would be less liable to be made the victim of a strike than a combination of private enterprisers. The forms of law are simple. The process of courts is summary and effectual. A Government administration would have the immediate support of the local magistrate on the first sign of trouble. The combination would be too strong for most agitators. Furthermore, the Chinese are an easily governed people. They are in many respects a submissive people. The democratic element in their government excites their homage ; the system of administration of criminal justice compels their respect. The cause of friction would have to be one stirring great masses of people to sudden and righteous anger, to produce a labour trouble of serious proportions. In illustration it may be remarked that considerable trouble was experienced in connection with the construction of the Pekin Syndicate's Honan Railway. It was partly a question of expropriation of land and partly of labour. The difficulties disappeared as soon as the local officials instructed from Peking began to move in the matter.

Another objection usually cited against State ownership is that it produces an inefficient service owing to the absence of healthy competition. In a double sense this may be said not to be true in China.

In the first place, railway competition is not a thing to be dreamed of in China for many years. It is a refinement of the future. The more pressing needs of the country must first be provided for. The only lines in the present scheme that threaten to compete are the Ching-Han and the projected line between Tientsin and Nanking. But, as already pointed out, the menace is not serious, and, as far as it goes, it is likely to remain a solitary exception to the rule. China is a country of great distances. Looking to the future, what is perhaps primarily required, and what the railways will primarily aim at providing, are long hauls. These

involve long lines, the initial cost of the construction of which must necessarily tend to deter competition on a serious scale. This statement involves no great assumption, for neither private nor public money will ever be ventured with the object of bringing down rates in the interest of the public unless a safe return is secured.

It is thus clear that competition cannot be looked to for keeping down rates. Nevertheless, rates can scarcely become excessive. The class that pays the railway company in China is not the big merchant but the passenger and the small merchant—the pedlar, who has a keen sense of what rates his goods will bear, and has no particular objection to continuing his operations under the traffic conditions to which he has been accustomed. In order to attract these people railway managements have to introduce to their notice a method by which in the one case an increase of profit, and in the other a saving of money, is assured. Up to a certain point no man has finer commercial instincts than the Chinese pedlar; and the average Chinese is extremely careful of money. In their favour and against the railway administration it must be remembered that to them time is not money, but an infinitely less valuable commodity. Up to this point the arguments in favour of State control have been of a somewhat negative character. There are, however, two considerations of a more positive nature that favour the development of a State system.

In the first place, the strategic importance of railways must not be lost sight of. It is true that much can be done by State superintendence of private enterprise, both as regards questions of construction and administration, to meet military requirements, but on the whole the principle of State supervision is less desirable than a system of State control. In the political circumstances of the time, however, the necessity for China to develop into a first-class military Power is not apparent. An efficient force is required for police purposes, but, after this has been provided for, her energies can be more profitably expended in the art of peace. This is a point, therefore, that merely requires to be mentioned, and need not be strenuously laboured.

A far more important consideration is the necessity for facilitating what may be described as inter-provincial emigration. Many parts of China are seriously over-populated, while other regions, well capable of supporting in comfort a considerable population,

are sparsely occupied.¹ Not the least valuable achievement of the Imperial Railways of North China has been to assist in the task of peopling the rich but thinly populated regions of Manchuria with the surplus population of the congested provinces of Chihli and Shantung. There is room for similar development in other parts of the Empire, and the problem is worthy of the serious consideration of the central Government. In a great public cause the State can afford to build railways with no immediate prospect of a return on invested capital, particularly where the railway system of the country is a State system, so that the losses on such lines may be made good from the profits on other lines that are financially successful.

It is not possible within our present limits to discuss this question any further. It is highly improbable, as has been shown, that private enterprise in China can bring any extensive system of railways into existence. It has also been shown that the two main objections to State enterprise that have been urged in other countries have here virtually no application. Furthermore, urgent positive reasons have been adduced in favour of State control. The subject, of course, is not yet exhausted, and doubtless there is still plenty of room for argument between the two opposing schools. Nevertheless, the conclusion may be ventured that the more the subject is considered the more clearly will it be shown that if not the only possible system for this country, it is in nearly every respect the most suitable. And here we may leave the matter, and pass on to our third point, as to the best method for developing the system.

It has been observable of late that the Chinese have formed the ambition to build all future railways with Chinese capital, and under the supervision of Chinese engineers. It is a laudable ambition, and one with which all must sympathise. The doubt which suggests itself is as to whether the attempt to realise it to the full at the present time is not somewhat premature.

We have already noted the difficulties that have beset the path of those trying to raise capital in time past for the construc-

¹ The necessity for the development of a comprehensive railway system has been assumed throughout the present chapter as a self-evident proposition. If any argument were required, particularly applicable to China, it would be found in the necessity for devising means to cope with the famines which periodically occur, causing the death of hundreds of thousands of people for lack of sufficiently rapid transport between the various provinces.

tion of railways. Attempts have also been made from time to time to raise domestic loans. They have mostly been a failure. A noteworthy departure has recently been made by H.E. Yuan Shih Kai in this connection. His efforts represented a genuine attempt to foster Government credit in the eyes of the people.

As far as it went the loan was successful, but it was a comparatively small loan, and it was largely subscribed for by foreign banks and foreign merchants. It therefore affords no certain indication of the growth of an investing, as opposed to a hoarding, spirit among the Chinese. The conclusion to be drawn is perhaps rather the other way.

So much for the financial aspect. As regards Chinese engineers, there are no doubt men of real ability and experience among them. As time goes on there will be more. But they do not exist in sufficient numbers at present to approach with confidence any serious scheme of railway construction. The prediction even might be hazarded that, if the existing concessions to foreigners were transferred to Chinese syndicates, it would be fifty years before even the present moderate programme would be overtaken.

The present writer holds no brief for foreign holders of railway rights or for those anxious to secure such ; nor, on the other hand, does he harbour any desire to champion the cause of the Chinese Government. As intimated in the Preface, the present inquiry merely represents an attempt at unbiassed investigation.

With this preliminary the observation may be hazarded that it is difficult, on commercial or common-sense grounds, to justify the threatened departure. Railways in China, if properly managed, cannot fail to yield good returns on invested capital, and there will never be any real difficulty in raising foreign loans for their construction. If money can be obtained more cheaply¹ in foreign markets than in China, assuming it can be obtained at all in China, it is a poor business proceeding to buy in the dearer market.

Again, the employment of capable foreign engineers will save China the enormous losses which would be consequent on the employment of incompetent men, besides securing first-rate construction.

¹ Writing in September 1906, Mr. J. O. P. Bland, an acute observer, says in this connection : "Whereas China can borrow money abroad upon the security of properly constructed railways at 5 per cent., capital is not, and cannot be, obtainable in the country at so low a price. Chinese merchants and gentry will not invest their funds in 5 per cent. stock, even when guaranteed by the Chinese Government."

These things are so obvious as to be self-evident propositions. Apart from sentiment, only one point can be urged against them, and that, on examination, can be shown to be fundamentally unsound. It is said that it is impossible to obtain foreign capital and employ foreign engineers without extending the influence of foreigners in the country.

In the sense that commercial intercourse between Chinese and foreigners will be facilitated, and Chinese brought within the influence of foreign methods, this is undoubtedly true. But in a political sense the contention cannot be sustained. Of this there is a standing illustration in the shape of the Imperial Railways of North China. The system was built in part by foreign capital. It was constructed under the supervision of British engineers, and is now operated by them under Chinese management. There is no suspicion of foreign political influence, and the system works admirably, being thoroughly well adapted to the circumstances of the country.

In this case there was a length of line constructed by Chinese capital which was able to be offered as a security to subscribers to a loan which was required, not only for its completion, but also to pay off a certain amount of indebtedness that had arisen in connection with the Peking extension. The bondholders to whom the line is mortgaged are not in possession. They have no voice in the control. Their only right is one of account. It is true that on failure of the Chinese to meet the service of the loan, the bondholders have certain rights, but with the margin resulting from the fact that at least one-third of the line was constructed with Chinese capital the possibility of these rights coming into operation, except in the event of war or civil commotion, may be said to be extremely remote.

Turning from the financial to the engineering aspect of the case, a wise selection of foreign engineers to superintend the work of Chinese assistant engineers involves no foreign political influence. They become the employees of the administration, and are in the service of the Chinese Government in the same way as members of the Imperial Customs Service.

What, however, the Chinese have to guard against is the grant to foreign powers of railway rights of a political or strategical nature, as has been done in Manchuria and the provinces of Shantung and Yunnan, to the serious prejudice of

China's sovereign rights. Such concessions are, of course, quite distinct from the commercial undertakings of which we are now speaking.

With these points before us we have now to face the question of the future, and to advance some positive suggestion towards a policy.

A word, however, must first be said in connection with the present policy of endeavouring to cancel existing concessions. This may be regarded as an indication of a phase through which the Chinese are passing, the result of a species of Young China movement, more sincere perhaps than wise, which threatens to develop serious consequences. If foreign concessionnaires are prepared to sell their rights, as in the case of the Hankow-Canton Railway, there is nothing further to be said. But if, on the other hand, they are sincere in their desire to develop the lines assigned to them, and to observe the conditions imposed by their respective agreements, it is absurd for the Chinese to imagine that the foreign Ministers will consent to cancellation.

Moreover, it is an unwise policy for the Chinese to pursue. In the case of the particular concessions which have been brought into question of late, provision is made for obtaining cheap money, on terms which are far from being onerous; and unless the Chinese are themselves in a position to finance these several undertakings, wisdom would appear to dictate the encouragement rather than the obstruction of such enterprises.

Passing on now to the consideration of the future, the question may be said to hinge on two cardinal points which, *prima facie* antagonistic, require to be harmonised.

In the first place, the Chinese are determined at all hazards to preserve their sovereignty in railway matters, not only in theory but in practice also.

Secondly, unless the Chinese are determined on a retrograde policy, the railway question of the future is primarily a financial one. Without raising loans, the Government is not in a position to provide funds for the construction of the obviously necessary extensions of the present system. The Chinese investor, as has been seen, is a negligible quantity. Thus foreign money will inevitably be required.

In these circumstances the Chinese have to aim at evolving a system of administration which shall foster a feeling of confidence

in investors, and satisfy the requirements of foreign markets. In other words, they must provide sufficient guarantees to the investing public that the railways which primarily form the security for their money are administered to the best advantage.

Under the present system of Government administration, however, this object cannot be attained without a measure of foreign co-operation, and the question that arises, from the Chinese point of view, is how best to utilise foreigners and foreign capital without encroaching on Chinese sovereignty.

The solution of this problem is to be found in the study of the Imperial Railways of North China, and a very short period of reflection serves to show that the system that has been adopted in connection with the finance and administration of that railway should be taken as a model for the future. Government capital should be provided for the construction of a section sufficient to show a reasonable margin for the security. A foreign engineer-in-chief and a foreign accountant should be included among the officials responsible for the administration of the system. And if this course is pursued it may be confidently anticipated that no difficulty will be experienced in raising all the capital that may be required.¹

Arrangements such as these would necessarily be made separately in respect of each railway; and in order to obtain uniformity among the several systems that would be evolved by this method the constitution of a strong central board of railways in Peking would be required.

In 1898 such a board, for the control of mines and railways, was constituted by the Imperial authorities, the edict which established it laying down, with that wisdom so often characteristic of Chinese policy in the abstract, the principles determining the constitution and defining the functions of the board.

"Railways and mines are nowadays the most important enterprises in this Empire. . . . We are, however, apprehensive, in view of the number of provinces in the Empire and the various conditions of men who will attempt to open mines of all sorts in the future, that a diversity of methods and

¹ Since these observations were made the Canton-Kowloon Railway agreement has been negotiated virtually on these lines (Appendix F, No. 4), and though no part of the railway has been, or will be, constructed by Chinese capital, the loan has been successfully floated (*ante*, p. 175), conclusively proving the soundness of the conclusions here drawn.

ensuing confusion will be the result, which would, of course, be detrimental to the principal object we have of getting the fullest advantages obtainable out of each and every undertaking in this direction.

"It is therefore highly important that there should be a central bureau to direct, under a single system, the working and exploitation of mines and railways in the Empire, and we hereby command that a Bureau of Control for Railways and Mines be established in Peking, to the two chief commissionerships of which we now specially appoint two ministers of the Tsung-li Yamen, namely, Wang Wen-shao and Chang Yin-huan.

"The said two Chief Commissioners shall from henceforth have special control over the opening of mines and construction of railways throughout the Empire, and companies formed for the above purposes will in future be required to apply to the said Commissioners for permission and guidance in their operations."

With the disappearance of the Tsung-li Yamen this board ceased to exist, but provision has recently been made for the control of railways by the establishment of the Board of Communications, by Imperial Edict in November 1906. So far, however, the functions of this Board have been of a somewhat indeterminate character, the only apparent result of its constitution, it is said, being that the emoluments attaching to the office of Director-General of the various railway systems, formerly enjoyed by individual officials, have now been placed in commission. Certainly it cannot be said that the Board has as yet succeeded in establishing a central control. On the contrary, the reverse appears rather to be the case, the tendency of the moment being rather towards decentralisation, provincial officials having in several instances been called upon to undertake, or at least to concert measures for, the construction of railways in their respective districts.

Such a policy, almost Gilbertian in its strange spirit of contradiction, cannot be too strongly deprecated. It can only be hoped that wiser counsels will prevail; that the Board of Communications will be speedily endowed with functions on the lines laid down in the Imperial Edict of 1898, and that it will be properly organised and well equipped with technical advisers, in order that it may assert an effective control.

It may be very justly remarked, however, that a strong central board implies a strong central Government, capable of controlling the powerful Viceroys throughout the Empire; and that, as things are at present, such a Government does not exist. Against this, on the other hand, it must be remembered that reforms are

always a matter of time, and that at this juncture it would not be difficult to organise an effective railway board, while in the future there should be no obstacle in the way of the inauguration and development of a wise railway policy.

As regards existing lines, they could no doubt be brought, within reason, under the legitimate influence of this board as units of the same system. And as the loans secured on the various lines are paid off they would naturally fall under the control of the central authorities, who, if well advised, would retain in their employ a sufficient number of foreign technical men to administer the various railways to the best advantage in the interest of the Government.

To summarise, the policy of the future should be to weld the existing railways as far as possible into one uniform and inter-dependent system, under a central authority, assisted by competent advisers. Chinese Government, foreign and, if possible, Chinese commercial capital, should be combined to construct all future lines. The methods of administration in practice on the Imperial Railways of North China should be adopted throughout the system, irrespective of whether the line is charged with a loan or otherwise.

By this means, in the course of time, the railway system would become a great national asset, comparable to the revenues of the Imperial Maritime Customs, which might stand the Empire in good stead in time of financial need.

That these things are possible there can be no reasonable doubt. The only obstacle in the way of their achievement lies with the Chinese themselves. It remains to be seen whether China has the will to face the present position, and, forsaking her effete policy of seclusion, will recognise her opportunities and inaugurate a policy that will be at once consistent with her duty to herself and the obligations incident to Citizenship of the World.

APPENDICES

APPENDICES

APPENDIX A.—No. 1.

PRELIMINARY AGREEMENT BETWEEN THE HONG KONG AND SHANGHAI BANKING CORPORATION AND DIRECTOR-GENERAL HU, RESPECTING THE PEKING-NEWCHWANG RAILWAY LOAN.

THIS is a preliminary Agreement made between His Excellency Hu, Governor of Peking and Administrator-General of the Imperial Railways of North China within and without the Great Wall, hereinafter called the Administrator-General, of the one part: and the Hong Kong and Shanghai Banking Corporation, representing a British Syndicate, hereinafter called the Syndicate, of the other part.

1. The Syndicate is hereby authorised by the Administrator-General to make arrangements to float and issue, on behalf of the Railway Administration, on the best terms obtainable on the market, a sterling loan for the equivalent of about (16,000,000 taels), for the construction of a railway line from Chung-hou-sou to Hsin Ming-tien,¹ and a branch line to Ying-tzu,² and for the redemption of existing loans to the Tientsin-Shan-hai-kuan and Tientsin-Lu-kou-chiao lines.

2. The security for the loan shall be the permanent way, rolling-stock, and entire property, together with the freight and earnings of the existing lines between Peking, Tientsin, Tang-ku, and Chung-hou-sou, and also of the proposed new lines when constructed, in addition to the rights of mining coal and iron, which will be retained by the Railway Administration on each side of the proposed new lines, for a distance to be determined. In the event of default or arrears in payment of interest or payments of principal, the said railway lines and mines shall be handed over to representatives deputed by the Syndicate, to manage them on their behalf, until principal and interest of the loan are redeemed in full, when the management will revert to the Railway Administration.

It will, however, be provided that if such arrears are for a small sum, and it appears desirable to the Syndicate to extend the due date of their payment

¹ Hsinminting.

² Yingkow (Newchwang).

for a term not exceeding three months, it shall be open to the syndicate to do so.

In the event of any special circumstances arising, necessitating the introduction of important changes by the management aforesaid, these changes shall be effected in consultation with the Administrator-General, and in the best interests of the railway. In the case of war or famine, troops and grain will be transported over the line on terms to be arranged hereafter.

No further loan, charge, or mortgage shall be charged on the security named above until this loan is redeemed.

3. During the currency of the loan the principal members of the railway staff shall be capable and experienced Europeans, who shall be, as at present, appointed by the Administrator-General of the Railway, and may be, in the event of their misconduct or incompetency, dismissed, after consultation with the Chief Engineer. If there are Chinese, with sufficient engineering or traffic experience, they may be appointed as well as Europeans. Should it be necessary to appoint a new Chief Engineer, such appointment shall be made in consultation with the Syndicate.

In addition to above, a capable and experienced European Railway Accountant shall be appointed to inspect all the accounts of the railways.

All receipts and earnings of the lines herein specified shall be paid into the credit of the Railway Administration with the Hong Kong and Shanghai Banking Corporation, Tientsin, together with 50,000 taels annually payable under the Board of Revenue's arrangement, approved by the Throne, by each of the provinces of Shansi, Shensi, Honan, and Anhui, for railway purposes for ten years.

All expenses of repairing and maintaining lines will be paid from this account, the remainder of which shall then be charged with the service of this loan.

4. The rate of interest, price, term of years, and other particulars shall be left to the Syndicate to arrange, on the best terms possible, on the market, when the moment appears favourable for floating the loan. Instalments of proceeds will be arranged as far as possible to suit the progress of construction and the requirements of the Administrator-General, interest being calculated from the date of such payments. The loan will be redeemable by annual drawings to be scheduled in the final agreement. Besides the drawings so scheduled the Administrator-General may from time to time, on giving due notification to the Syndicate, call for extra drawings to be held, bonds so drawn being redeemed by the Railway Administration at 20 per cent. premium on their par value.

5. If it shall be found that the loan cannot be floated without the introduction of some special attraction, the Administrator-General shall memorialise the Throne, recommending that a concession of mining rights be granted to the Syndicate at a point or points on the lines, and on terms to be arranged with the Syndicate on the basis of the Mining Regulations newly established by the Tsung-li Yamen. The requests of the Syndicate will be confined to mines within a distance of 5 li of the railway.

6. The date of issue of this loan shall be left to the discretion of the Syndicate, to be fixed in accordance with the state of the market, but should

it be found impossible to issue it before the 1st day of October next, the Syndicate will arrange to advance to the Administrator-General, on or about that date, an instalment of about 2,000,000 taels on account of, and repayable out of the proceeds of the loan when floated. The terms of this advance shall be left to the arrangement of the Syndicate on the best terms obtainable, interest not to exceed the rate of 5½ per cent. per annum, and the Syndicate shall be authorised to issue temporary bonds for the amount if required.

7. For the satisfaction of the investing public who are unacquainted with China a satisfactory report will be required from District Engineer, Mr. J. Ginnell, as to the condition and earning power of the old lines, and as to the route, prospects, and mineral wealth of the new lines to be constructed, and Mr. Ginnell shall be instructed by the Administrator-General to proceed to London as soon as possible after the signing of this preliminary Agreement, to confer with the Syndicate on these matters.

8. The terms of this preliminary Agreement will, immediately after signature, be submitted by the Administrator-General to the Throne for sanction by Imperial Edict, which shall be officially communicated by the Tsung-li Yamen to the British Minister in Peking.

9. Three months from the date of signature of this preliminary Agreement shall be allowed to the Syndicate to accept or decline its terms. Upon their confirmation by the Syndicate this preliminary Agreement shall be replaced by a definitive Agreement, providing for all details.

Signed at Peking, this 7th day of June 1898, being the 19th day of the 4th moon of the 24th year of the Emperor Kuang Hsu.

(Seal of Administrator-General of Railways
within and without the Shan-hai-kuan
boundary.)

For the Hong Kong and Shanghai Banking Corporation, (Signed) E. G. HILLIER, Agent.

APPENDIX A.—No. 2.

DEFINITIVE AGREEMENT BETWEEN THE BRITISH AND CHINESE CORPORATION (LIMITED) AND DIRECTOR-GENERAL HU RESPECTING THE PEKING-NEWCHWANG RAILWAY LOAN.

THIS agreement is made between His Excellency Hu, Governor of Peking, as Administrator-General of the Railways of North China within and without Shan-hai-kuan, acting under the authority of the Imperial Chinese Government, hereinafter called the "Administrator-General," of the one part, and the Hong Kong and Shanghai Banking Corporation, for themselves and on behalf of the British firm of Jardine, Matheson & Co., representing as joint agents

the British and Chinese Corporation (Limited), hereinafter called the "Corporation" of the other part :

Whereas, on the 7th day of June 1898, being the 19th day of the 4th month of the 24th year of the Emperor Kuang Hsu, a preliminary Agreement was signed at Peking between the Administrator-General and the Hong Kong and Shanghai Banking Corporation, representing a British Syndicate, for a sterling loan for the equivalent of about 16,000,000 taels, for the construction of a railway line from Chung-hou-sou to Hsin-ming-ting and a branch line to Ying-tzu, and for the redemption of existing loans made to the Tientsin-Shan-hai-kuan and Tientsin-Lu-kou-chiao Railway lines : and

Whereas in terms of the preliminary Agreement a period of three months from its date was allowed to the Syndicate to accept or decline its conditions : and

Whereas the Hong Kong and Shanghai Banking Corporation, before the expiration of the period named, duly notified the Administrator-General that it is prepared, with certain modifications, to arrange the issue of the loan upon the conditions named in the preliminary Agreement :

1. The Corporation agrees to issue on behalf of the Administrator-General a sterling loan for the amount of £2,300,000, the proceeds of which are to be applied in the order following :—

(1) To the redemption forthwith or at maturity of the loans and advances specified in the statement attached to this Agreement which have been made by foreign banks to the Tientsin-Shan-hai-kuan and the Tientsin-Lu-kou-chiao Railway lines. The Administrator-General hereby certifies that the total amount of the liabilities due by the lines named does not exceed the sum of 3,000,000 taels.

(2) To the carrying out, within a period of three years from the date of this Agreement, of certain improvements and additions to rolling-stock on the existing lines between Peking and Shan-hai-kuan, recommended by the European Chief Engineer, and estimated by him to cost about 1,500,000 taels.

(3) To the construction of a railway line from Chung-hou-so to Hsin-ming-ting, and one from a point on that line near Shih-san-chan to Ying-tzu, and of a branch line from Nu-erh-ho to the collieries of Nanp'iao.

The Administrator-General engages that the construction of the new lines here specified shall be completed within a period of three years from the date of this Agreement.

2. In the event of the proceeds of this loan being insufficient for the completion of the new lines here specified, the Administrator-General will provide or will arrange with the Imperial Government of China to provide funds from other sources sufficient to complete their construction.

3. This loan shall be a first charge upon the security of the permanent way, rolling-stock, and entire property, with the freight and earnings of the existing lines between Peking and Shan-hai-kuan, and on the freights and earnings of the new lines when constructed. The Administrator-General shall, during the continuance of this loan, maintain the railway buildings, works, rolling-stock, and dependencies in good order and condition, and shall increase the rolling-stock from time to time to such extent as shall be necessary for the requirements of the traffic.

Should it be decided hereafter to construct branch lines or extensions connecting with the lines herein named, their construction shall be undertaken by the Railway Administration, and should the funds of the Railway Administration be insufficient for that purpose, it shall apply to the Corporation for the same.

4. The principal and interest of this loan are guaranteed by the Imperial Government of China, and in the event of default in payment of interest or repayment of principal at due date, the Corporation shall immediately notify the Imperial Government of China thereof, and the Imperial Government of China will thereupon provide the funds necessary to meet such payment in sterling in London. In the event of the Imperial Government of China being unable to provide the funds necessary to meeting a payment of interest or principal when called upon by the Corporation to do so, in terms of this clause, the said railway lines and entire property shall thereupon be handed over to representatives deputed by the Corporation to manage, on their behalf, until principal and interest of the loan have been redeemed in full, when the management will revert to the Railway Administration. It is provided that should arrears of interest or principal be for a small sum, and it appear desirable to the Corporation to extend the due date of their payment for a term not exceeding three months, it shall be open to the Corporation to do so.

This arrangement, which differs from other contracts in that the Administrator-General retains control of the railway lines so long as the principal and interest of this loan are regularly paid, has been agreed to in consequence of the friendly relations which have long existed between the Contracting Parties.

5. No further loan shall be charged upon the security named above, except through the Corporation, until the loan is redeemed; and the Tsung-li Yamen will hand to the British Minister in Peking a written undertaking on behalf of the Imperial Government of China, that the railway lines named in this Agreement shall never be alienated or parted with.

6. During the currency of this loan the Chief Engineer of the railways shall be a British subject. The principal members of the railway staff shall be capable and experienced Europeans, who shall be, as at present, appointed by the Administrator-General of the Railways, and may be, in the event of their misconduct or incompetency, dismissed after consultation with the Chief Engineer.

If there are Chinese with sufficient engineering or traffic experience they may be appointed as well as Europeans.

Should it be necessary to appoint a new Chief Engineer, such appointment shall be made in consultation with the Corporation.

In addition to the above, a capable and efficient European Railway Accountant shall be appointed, with full powers to organise and direct the keeping of the railway accounts, and to act with the Administrator-General and the Chief Engineer of the railway in the supervision of receipts and expenditure.

7. The railway lines named in the Agreement being Imperial Government lines, in the event of war or famine, Chinese Government troops and grain may be transported over the lines free.

8. All receipts and earnings of the lines herein specified shall be paid into the credit of the Railway Administration with the Hong Kong and Shanghai Banking Corporation, Tientsin, together with 50,000 taels annually, payable under the Board of Revenue's arrangement approved by the Throne, by each of the provinces of Shansi, Shensi, Honan, and Anhui, for railway purposes for ten years.

All expenses of working and maintaining the lines will be paid from their receipts and earnings, the remainder of which, together with the provincial funds above named, shall then be charged with the service of this loan. Payments of interest and repayments of principal shall be made in equal monthly instalments, and in accordance with the amounts and dates of a yearly schedule which will be furnished to the Administrator-General by the bank. These payments shall be made by the Administrator-General to the Hong Kong and Shanghai Banking Corporation, Tientsin, in Hongping sycee sufficient to provide the sterling amount due to the bondholders in terms of the prospectus of the loan, the rate of exchange for these payments being fixed by that bank as each such payment becomes due. In reimbursement of expenses incurred in connection with the distribution of the service to the bondholders of the principal and interest of the loan, the Hong Kong and Shanghai Banking Corporation, Tientsin, shall receive from the Railway Administration a commission of $\frac{1}{4}$ per cent. on the annual loan service, which will be included in the yearly Schedule for the same.

9. The term of the loan shall be forty-five years, and, subject to the modification mentioned hereinafter, repayment of principal shall be made, so far as regards the bondholders, in forty equal annual instalments, commencing with the sixth year.

10. Interest on the loan shall be charged at the rate of 5 per cent. per annum on the nominal principal, and shall be calculated on the balance of such principal at any time outstanding, payments of interests being made by the Administrator-General in accordance with the amounts and dates specified in the yearly Schedule to be provided.

11. The loan will be redeemed by annual drawings in London as provided for in the prospectus. Besides the drawings as provided for, the Administrator-General may, on giving three months' notice to the Corporation, call for extra drawings to be held for any amount. Bonds so drawn to be redeemed by the Railway Administration at 20 per cent. premium on their par value. Any such extra drawings must take place on the date of the ordinary drawing provided by the prospectus.

In the event of such extra drawings taking place, subsequent payments of interest will be adjusted in the Yearly Schedule to be provided, but the repayments of principal shall continue unaltered in terms of clause 9 of this Agreement until the loan is redeemed.

The Imperial Government of China hereby engages that this loan shall not be redeemed or converted otherwise than as herein provided.

12. The price agreed upon for this loan is 90 per cent. net of the nominal principal, but should an unfavourable state of the market prevail at the time of issuing the prospectus the Corporation is hereby authorised to

reduce the price of the loan, at its own discretion, to not less than 88 per cent. net to the Railway Administration.

13. The Corporation are hereby authorised to issue to subscribers to the loan bonds for the total amount of the loan in pounds sterling, in such form and for such amounts as shall appear desirable to the Corporation, and the Minister for China in London will seal all such bonds with his official seal, as evidence that the Imperial Government of China is bound thereby. Each such bond shall bear the following clause :—

“ The Imperial Government of China, pursuant to an Imperial Edict, dated _____, unconditionally guarantees and declares itself responsible for the payment of the principal moneys and interest hereby secured, and in faith thereof it has specially authorised the Chinese Minister in London to seal this bond with his official seal.”

14. All bonds and coupons and payments made and received in connection with this loan shall be exempt from Chinese taxes and imposts for ever.

15. All details necessary for the prospectus and connected with the service to the bondholders of the interest and repayment of principal of this loan, not herein explicitly provided for, shall be left to the arrangement of the Corporation, who are hereby authorised to issue a prospectus of the loan as soon as possible after the signing of this Agreement.

The Tsung-li Yamen will instruct the Chinese Minister in London to co-operate with the Corporation in any matters requiring conjoint action.

16. The loan shall be issued to the public as soon as possible after the signing of this Agreement, and shall date from the first day of the month of its issue. Payment of the entire proceeds will be made in London to the order of the Administrator-General not later than the 31st day of March 1899 : of the above proceeds the Corporation will advance to the order of the Administrator-General in London, on or before the 31st day of October next, the sum of £250,000 ; this advance will bear interest at the rate of 5½ per cent. per annum until such time as the first instalment of the loan proceeds shall be available, when it shall be deducted from those proceeds by the Corporation.

17. In the event of an unfavourable state of the market rendering the issue of this loan, and the payment of its proceeds to the Railway Administration impossible on the terms named without loss to the Corporation, the Corporation shall be granted such extension of time for the performance of its contract with the Administrator-General as the circumstances demand, any advances or instalments of proceeds already made to the Railway Administration being in that case treated as regards payment of interest, repayment of principal, security, and Imperial Chinese Government guarantee in terms of this present Agreement, and as forming part of the principal amount of this loan. Similar extension of time for the issue of this loan and payment of its proceeds shall also be granted in the event of the Deutsche-Asiatische Bank, Berlin, objecting to its issue before the month of April next, in accordance with the terms of clause 9 of the Agreement for the Chinese Imperial Government 4½ per cent. Sterling Loan of 1898.

18. Immediately after the signature of this Agreement, and before the

issue of the prospectus of the loan to the public, the Administrator-General will memorialise the Throne and obtain an Imperial Edict confirming and sanctioning the provisions of this Agreement, the Imperial Edict so received being then communicated officially and without delay by the Tsung-li Yamen to the British Minister in Peking.

19. The Corporation may, subject to all its obligations, transfer or delegate all or any of its rights and discretions to any British Company, Directors, or Agents, in consultation with the Administrator-General, with or without power of further transfer and sub-delegation.

20. This Agreement is executed in Quadruplicate in English and Chinese, one copy to be retained by the Administrator-General, one by the Tsung-li Yamen, one by the British Minister in Peking, and one by the Corporation. Should any doubt arise as to the interpretation of the contract, the English text shall be accepted as the standard.

Signed at Peking by the Contracting Parties this 25th day of the eighth month of the twenty-fourth year of the Emperor Kuang-Hsu, being the 10th day of October 1898, Western Calendar.

STATEMENT OF LOANS AND ADVANCES BY FOREIGN BANKS TO THE
IMPERIAL RAILWAY ADMINISTRATION, TO BE REDEEMED IN TERMS
OF THIS CONTRACT.

By the Hong Kong and Shanghai Banking Corporation :—

2nd November 1894, to Shan-hai-kuan Section	Hongping taels	200,000
23rd October 1896, Lukouchiao Section	., . , "	400,000
8th June 1897, to Lukouchiao Section	., . , "	300,000
8th June 1897, to Railway Bonds	., . , "	140,000
3rd December 1897, to Peking Section .	., . , "	200,000

By the Russo-Chinese-Bank :—

One, due January 1900	Hongping taels	200,000
One, repayable by monthly instalments of 10,000 taels, commencing 1898, . , . , . , "	400,000

By the Deutsche-Asiatische Bank :—

One, due spring 1899, £90,000, say	Hongping taels	700,000
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APPENDIX A.—No. 3.

AGREEMENT BETWEEN THE CHINESE GOVERNMENT AND THE RUSSO-CHINESE BANK FOR THE CONSTRUCTION AND MANAGEMENT OF THE CHINESE EASTERN RAILWAY.

Imperial sanction received by the Chinese Envoy to Russia, Hsu,
Dated 29th August 1896.

Agreement signed 8th September 1896.
(Translation from Chinese text.)

1. CHINA and Russia establish a Company, to be called the Chinese Eastern Railway Co., to construct and manage this railway. The seal to be used by the Company will be issued by the Chinese Government. The regulations of the Company will be in conformity with those of Russian Railway Companies. Shares may only be bought by Chinese and Russians. The Director of the Company will be appointed by China. His remuneration will be provided for by the Company. He may live in Peking. His duty will be to supervise the task delegated to the Company by China, and to ascertain whether its obligations are faithfully performed. All business between the Company and the Chinese Government or any Chinese officials, either in Peking or the provinces, will also be managed by the Director. The Director will also investigate from time to time the accounts of the Company with the Chinese Government. An agent must be stationed in Peking for convenience of consultation.

2. For the purpose of surveying the course of the railway, the Chinese Director will depute an officer to act in conjunction with the Company's Engineer and the local officials along the line of route, who will arrange matters satisfactorily. Measures must be taken to pass round all houses, graves, villages, and towns on the course of the railway.

3. Within twelve months of the issue of an Imperial Edict sanctioning this Agreement the Company must have commenced work on the railway; and within six years from the date of the completion of the survey for the line and the handing over to the Company of the necessary land the whole line must be completed. The gauge of the line must be that of the Russian Railway, i.e. 5 Russian feet, equivalent to 42½ Chinese inches.

4. The Chinese Government will order all local officials concerned to do their utmost to assist the Company in regard to all material required for the construction of the railway, in engaging labourers and boats, carts, men, and horses for transport purposes, and in the purchase of grain and fodder. All these must be paid for by the Company at market rates. The Chinese Government will also afford facilities for transport.

5. The Chinese Government will take measures for the protection of the line and of the men employed thereon. The staff, Chinese and foreign, necessary for the line will be engaged as required by the Company. All crimes and lawsuits arising on the land of the Company will be dealt with by the local officials in accordance with Treaty.

6. As regards the land required by the Company for constructing, managing, and protecting the line and adjacent land, for procuring sand, earth, stones, and lime, if the land be Government land it will be given the Company without payment. If privately owned, the Company will provide funds for payment to the proprietors at market rates, either in one payment or as yearly rent. All the Company's land will be exempted from land tax. As soon as the land comes under the management of the Company they may erect thereon any buildings and carry on all kinds of work, and they may establish a telegraph line thereon worked by the Company for the Company's use. With the exception of mines, for which special arrangements must be made, all receipts of the Company for transport of passengers and freight, telegrams, etc., will be exempt from all taxation.

7. All materials required by the Company for the construction and repair of the line will be exempt from taxation.

8. All Russian troops, naval or military, and munitions of war, moved by the Russian Government by this railway, must be conveyed by the Company directly across the border. Apart from slight detentions *en route*, incidental to transfers, no other delays will be permitted for any cause.

9. Any foreign passengers by this line who may proceed into the interior away from the railway must be provided with Chinese passports authorising them to proceed. Any person unprovided with such passports must be forbidden by the Company to proceed into the interior.

10. All goods and baggage coming from Russian territory, and again entering Russian territory by this line, will be exempt from taxation, but such goods and baggage, with the exception of personal luggage with passengers, must be carried by the Company in special vans, and sealed by the Customs officers on entering Chinese territory, and on leaving Chinese territory they must be examined by the Customs officers to ascertain that the seals are intact, in which case they will be allowed to pass. If it be found that the seals have been opened *en route* the goods will be confiscated.

As to goods conveyed by this line from Russia to China or from China to Russia, they will pay duty according to the Treaty tariff, *i.e.* an import or export duty, as the case may be, but subject to a reduction of $\frac{1}{3}$ of the tariff rate. If such goods be conveyed to the interior they must pay transit duty in addition, *i.e.* half the amount of the duty already paid. Transit duty being paid, they are not to be taxed again on passing Customs stations or likin barriers. But if transit duty be not paid they must pay duty at stations and at likin barriers. China must establish Customs stations at the two points where the line crosses the frontier.

11. Fares for passengers, freight for goods, and charges for loading or unloading will be fixed by the Company. Chinese Government despatches and letters must be carried by the Company free of cost. Chinese troops and munitions of war will be carried at half rates.

12. From the day of completion of the railway and the commencement of traffic, for a period of eighty years, all profit made by the line shall belong to the Company solely. Any loss must likewise be borne by it; the Chinese Government cannot be responsible. After eighty years the line and all its property are to revert to the Chinese Government without payment.

Thirty-six years after commencement of traffic China may take over the line on payment of the following and all capital and all moneys owed on account of the line and interest. As to profits made by the Company, should there be any not distributed to shareholders, these must be taken to be capital returned and deducted from the price paid for the line. China must actually pay over the amount of purchase to Russia before receiving possession of the line.

On the day the line is completed and traffic commenced the Company will pay the Chinese Government five million Treasury taels.

APPENDIX A.—No. 4.

STATUTES OF THE CHINESE EASTERN RAILWAY COMPANY.

1. ON the strength of the Agreement, concluded on the 27th August 1896 by the Imperial Chinese Government with the Russo-Chinese Bank, a company is formed, under the name of the Eastern Chinese Railway Company, for the construction and working of a railway within the confines of China, from one of the points on the western borders of the province of Hei-Lun-Tsian to one of the points on the eastern borders of the province of Kirin, and for the connection of this railway with those branches which the Imperial Russian Government will construct to the Chinese frontier from Trans-Baikalia and the Southern Ussuri lines.

The Company is empowered, subject to the sanction of the Chinese Government, to exploit, in connection with the railway, or independently of it, coal mines, as also to exploit in China other enterprises—mining, industrial and commercial. For the working of these enterprises, which may be independent of the railway, the Company shall keep accounts separate from those of the railway.

The formation of the Company shall be undertaken by the Russo-Chinese Bank.

With the formation of the Company all rights and obligations are transferred to it in regard to the construction and working of the line ceded in virtue of the above-named Agreement of the 27th August 1896.

The Company shall be recognised as formed, on the presentation to the Minister of Finances of a warrant of the State Bank, certifying the payment of the first instalment on the shares. In any case, such payment must be made not later than two months from the day of confirmation of the present statutes.

The succeeding instalments on the shares shall be paid in such order of gradation that the shares shall be fully paid up at their nominal value not later than one year from the day of formation of the Company.

Owners of shares of the Company may only be Russian and Chinese subjects.

2. In virtue of the Agreement with the Chinese Government the Company shall retain possession of the Chinese Eastern Railway during the course of eighty years from the day of the opening of traffic along the whole line.

3. In recognition that the enterprise of the Chinese Eastern Railway will be realised only owing to the guarantee given by the Russian Government in regard to the revenue of the line for covering working expenses, as well as for effecting the obligatory payments on the bonds (§§ 11 and 16), the Company on its part binds itself to the Russian Government, during the whole term of the concession, under the following obligations :—

(A) The Chinese Eastern Railway, with all its appurtenances and rolling-stock, must be always maintained in full order for satisfying all the requirements of the service of the line in regard to the safety, comfort, and uninterrupted conveyance of passengers and goods.

(B) The traffic on the Chinese Eastern line must be maintained conformably with the degree of traffic on the Russian railway lines adjoining the Chinese line.

(C) The trains of all descriptions running between the Russian Trans-Baikal and Ussuri lines shall be received by the Chinese Eastern Railway and despatched to their destination, in full complement, without delay.

(D) All through trains, both passenger and goods, shall be despatched by the Eastern Chinese Railway at rates of speed not lower than those which shall be adopted on the Siberian Railway.

(E) The Chinese Eastern Railway is bound to establish and maintain a telegraph along the whole extent of the line, and to connect it with the telegraph wire of the Russian adjoining railways, and to receive and despatch without delay through telegrams sent from one frontier station of the line to another, as also telegrams sent from Russia to China, and conversely.

(F) Should, with the development of traffic on the Chinese Eastern Railway, its technical organisation prove insufficient for satisfying the requirements of a regular and uninterrupted passenger and goods traffic, the Chinese Eastern Railway shall immediately, on receipt of a notification on the part of the Russian Railways to augment its capacity to a corresponding degree, adopt the necessary measures for further developing its technical organisation and the traffic on it. In the event of a difference of opinion arising between the above-mentioned railways, the Chinese Eastern Railway shall submit to the decision of the Russian Minister of Finances. If the means at the command of the Chinese Eastern Railway prove insufficient for carrying out the necessary work of its development, the Board of Management of the Railway may at all times apply to the Russian Minister of Finances for pecuniary assistance on the part of the Russian Government.

(G) For all transit conveyance of passengers and goods, as also for the transmission of telegrams, there will be established by agreement of the Company with the Russian Government, for the whole term of duration of the concession, maximum tariffs, which cannot be raised without the consent of the Russian Government during the whole term above referred to. Within these limits the tariffs of direct communication, both for railway

carriage and telegrams, will be fixed by the Board of Management of the Company, on the strength of a mutual agreement with the Russian Minister of Finances.

(H) The Russian letter and parcels post, as also the officials accompanying the same, shall be carried by the Chinese Eastern Railway free of charge.

For this purpose the Company shall set part in each ordinary passenger train a carriage compartment of three fathoms in length. The Russian postal authorities may, moreover, if they deem it necessary, place on the line postal carriages, constructed by them at their own cost: and the repair, maintenance (interior fittings excepted), as well as the running of such carriages with the trains shall be free of charge and at the cost of the railway.

The above-mentioned engagements, by which, as already stated, the grant of a guarantee by the Russian Government is conditioned, and the consequent realisation of the enterprise of the Chinese Eastern Railway, shall be binding on the railway until the same, after the expiration of the eighty years' term of the concession, shall, without payment, become the property of the Chinese Government (§ 29). The redemption of the line from the Company before the above-mentioned term, in accordance with § 30 of the present Statutes, shall not in any way diminish the effect of the above specified engagements, and these latter, together with the railway, shall be transferred to its new proprietor.

In the same manner, during the course of the whole eighty years' term of the concession (§ 2), the following privileges granted to the railway by the Imperial Chinese Government shall remain in force:—

(a) Passengers' luggage, as also goods, carried in transit from one Russian station, shall not be liable to any Chinese customs duties, and shall be exempt from all internal Chinese dues and taxes.

(b) The rates for the carriage of passengers and goods, for telegrams, etc., shall be free from all Chinese taxes and dues.

(c) Goods imported from Russia into China by rail, and exported from China to Russia in the same manner, shall pay respectively an import or export Chinese duty to the extent of one-third less as compared with the duty imposed at Chinese seaport custom houses.

(d) If goods imported by the railway are destined for conveyance inland, they shall in such case be subject to payment of transit duty to the extent of one-half of the import duty levied on them, and they shall then be exempted from any additional imposts. Goods which shall not have paid transit duty shall be liable to payment of all established internal carrier and likin dues.

4. In regard to the place of acquisition of materials for the requirements of the railway, the Company shall not be liable to any limitations. If materials be obtained beyond the confines of Russia, they shall on importation through Russian territory be freed from payment of Russian customs duties.

5. The breadth of the railway track must be the same as that of the Russian lines (5 feet).

The Company must commence the work not later than the 16th August

1897, and conduct it in such a manner that the whole line shall be completed not later than six years from the time when the direction of the line shall be finally determined and the necessary land assigned to the Company.

When tracing the line of the railway, cemeteries and graves, as also towns and villages, must, so far as possible, be left aside of the railway.

When effecting the connection, in accordance with § 1 of these statutes, of the Chinese Eastern Railway with the Russian Trans-Baikal and South Ussuri lines, the Company shall have the right, with a view of reduction of expenditure, of abstaining from building its own frontier stations, and of utilising the frontier stations of the above-named Russian lines. The conditions on which they shall be so utilised shall be determined by agreement of the Board of the Company with the Boards of the respective railways.

6. The tariffs for the carriage of passengers and goods, as also for supplementary carriage rates, shall be determined by the Company itself within the limits indicated in § 3.

7. Crimes, litigation, etc., on the territory of the Chinese Eastern Railway, shall be dealt with by local authorities, Chinese and Russian, on the basis of existing Treaties.

In regard to the carriage of passengers and goods, the responsibility for such conveyance, the lapse of time for claims, the order of recovering money from the railway when adjudged, and the relations of the railway to the public, shall be defined in rules drawn up by the Company and established before the opening of the railway traffic: and these rules shall be framed in accordance with those existing on Russian railways.

8. The Chinese Government has undertaken to adopt measures for securing the safety of the railway and of all employed on it against any extraneous attacks.

The preservation of order and decorum on the lands assigned to the railway and its appurtenances shall be confided to police agents appointed by the Company.

The Company shall for this purpose draw up and establish police regulations.

9. The whole amount of the capital of the Company shall be determined according to the cost of construction, calculated on the basis of estimates framed when the survey of the line was carried out. The foundation capital shall be charged with (a) the payment of interest and amortisation of the foundation capital during the construction of the railway; (b) the purchase from the Russian Government of the results of the surveys of the direction of the railway to Manchuria which were made by Russian engineers; the sum payable for these surveys will be determined by agreement of the Russian Minister of Finances with the Company. The capital of the Company shall be formed by the issue of shares and bonds.

10. The capital of the Company shall be fixed at 5,000,000 nominal credit roubles, and divided into 1000 shares at 5000 nominal credit roubles.

The shares are to be issued at their nominal value.

The guarantee of the Russian Government does not extend to them.

11. The remaining portion of the capital of the Company will be formed by the issue of bonds. The bonds will be issued in measure of requirement, and each time with the special sanction of the Minister of Finances. The

nominal amount and value of each separate issue of bonds, the time and condition of the issue, as also the form of these bonds, shall be subject to the sanction of the Minister of Finances.

The Russian Government will guarantee the interest on and amortisation of the bonds.

For the realisation of these bonds the Company must have recourse to the Russo-Chinese Bank, but the Russian Government reserves to itself the right of appropriating the bond loan at a price which shall be determined between the Company and the Bank, and to pay to the Company the agreed amount in ready money.

12. As payments are received for bonds guaranteed by the Russian Government, the Company shall be bound to keep such sums, or interest-bearing securities purchased with the same by permission of the Russian Minister of Finances, under the special supervision of the Russian Ministry of Finances.

Out of the above receipts the Company shall have the right to make the following payments :—

(a) According to actual fulfilment of the work in progress and execution of orders, and at the time when various expenditure shall become necessary, such payments to be made on the scale and on the conditions specified in the working estimates.

(b) During the construction of the line, of interest, as it becomes due on the bonds issued by the Company, subject to the conditions of their issue, and the Company shall pay the sums necessary for the above purpose within the limits of the amount realised by it in the emission of its bonds.

13. On the payment of the first allotment on the shares the founders shall receive temporary certificates, on which subsequently, when the Board of Management of the Company shall have been formed, the receipt of the further instalments on the shares will be inscribed.

When the shares shall be fully paid up, the temporary certificates issued to the founders shall be replaced by shares.

The shares of the Company are issued to bearer, under the signature of not fewer than three members of the Board of Management. To the shares will be attached a coupon-sheet for the receipt once yearly under them of any dividend that may be payable. On the coupon-sheets becoming exhausted new sheets will be issued. A dividend on the shares out of the net profits of any year, supposing such accrue, shall be payable on the adoption by the general meeting of shareholders of the annual report for that year, and the dividend shall be payable at the offices of the Company, or at such places which it may indicate.

The Company shall notify for general information in the *Official Gazette* and in the *Finance Messenger*, as also in one of the Chinese newspapers, the extent and place of payment of the dividend.

14. The reserve capital is destined :—

(a) For the capital repair of the railway, its buildings, and appurtenances.

(b) For defraying extraordinary expenditure of the Company in repairing the railway and its appurtenances.

The reserve capital of the Company is formed out of annual sums put aside from the net profits of the working of the railway (§ 17).

The reserve capital must be kept in Russian State interest-bearing securities, or in railway bonds guaranteed by the Russian Government.

At the expiration of the term of possession of the railway by the Company the reserve capital shall be first of all employed in the payment of the debts of the Company, including among them sums due to the Russian Government, if such exist: and after the debts of the Company shall have been paid the remainder of the reserve capital shall be divided among the shareholders. In the event of the redemption of the railway by the Chinese Government, the reserve capital becomes the property of the shareholders.

15. The net revenue of the Company shall be the remainder of the gross receipts after deduction of working expenses. Under these expenses are classed—

(a) General outlays, including assignments towards pension and relief funds, if such be established on the line.

(b) Maintenance of the staff of the Board of Management, and of all the services: as also the maintenance of employees and labourers not on the permanent list.

(c) Outlays for materials and articles used for the railway, as also expenditure in the shape of remuneration for using buildings, rolling-stock, and other various requisites for the purposes of the railway.

(d) Outlays for the maintenance, repair, and renewal of the permanent way, works of construction, buildings, rolling-stock, and other appurtenances of the railway.

(e) Expenditure connected with the adoption of the measures and instructions of the Board of Management for ensuring the safety and regularity of the railway service.

(f) Expenditure for the improvement and development of the railway, as also for creating and developing its resources.

16. Should the gross receipts of the railway prove insufficient for defraying the working expenses and for meeting the yearly payments due on the bonds, the Company will receive the deficient sum from the Russian Government, through the Russian Minister of Finances. The payments referred to will be made to the Company as advances, at a rate of interest of 6 per cent. per annum. Sums paid in excess to the Company, in consequence of its demands and on account of the guarantee, will be deducted from succeeding money payments.

On the presentation to the general meeting of shareholders of the annual report of the working of the railway for a given year the Company shall at the same time submit to the general meeting, for confirmation, a detailed statement of the sums owing by the Company to the Russian Government, with the interest that has accrued thereon. On the confirmation of this statement by the general meeting the Board of Management shall deliver to the Russian Government an acknowledgment of the Company's debt, to the full determined amount of the same, and this acknowledgment, until its substitution by another, shall bear annually interest at the rate of 6 per cent.

The acknowledgment above mentioned, given by the Board of Management to the Russian Government, shall not be subject to bill or deed stamp tax.

Subjects of minor importance are dealt with in the following sections :—

17. *Distribution of net profits of the railway.*

18. *Functions of Board of Management, the seals of which will be at Peking and St. Petersburg.*

19. *Constitution of the Board, which is to consist of nine members, elected by the shareholders. The chairman is to be appointed by the Chinese Government. The vice-chairman is to be chosen by the members of the Board from among themselves.*

20. *Order of transaction of the business of the Board.*

21. *General meetings of shareholders, and the subjects that shall come under their notice.*

22. *Order of convening general meetings.*

23. *Conditions under which general meetings shall be recognised as legally held.*

24. *Participation of shareholders in proceedings of general meetings.*

25. *Local management of works of construction.*

26. *Local management of railway when in working order.*

27. *Questions to be submitted for confirmation by Russian Minister of Finances.*

28. *Committee of audit.*

29. In accordance with the Agreement concluded with the Chinese Government the latter, after the expiration of eighty years of possession of the railway by the Company, enters into possession of it and its appurtenances.

The reserve and other funds belonging to the Company shall be employed in paying the money due to the Russian Government under the guarantee (§ 16), and in satisfaction of other debts of the Company, and the remainder shall be distributed among the shareholders.

Any money that may remain owing by the Company to the Russian Government at the expiration of eighty years in respect of the guarantee shall be written off. The Russo-Chinese Bank will incur no responsibility in respect of the same.

30. In accordance with the Agreement concluded with the Chinese Government, on the expiration of thirty-six years from the time of completion of the whole line and its opening for traffic, the Chinese Government has the right of acquiring the line, on refunding to the Company in full all the outlays made on it, and on payment for everything done for the requirements of the railway, such payments to be made with accrued interest.

It follows as a matter of course that the portion of the share capital which has been amortised by drawing, and the part of the debt owing to the Russian Government under the guarantee, and repaid out of the net profits (§ 17), will not constitute part of the purchase-money.

In no case can the Chinese Government enter into possession of the railway before it has lodged in the Russian State Bank the necessary purchase-money.

The purchase-money lodged by the Chinese Government shall be employed in paying the debt of the Company under its bonds, and all sums, with interest, owing to the Russian Government, the remainder of the money being then at the disposal of the shareholders.

APPENDIX A.—No. 5.

TEXT OF IDENTIC NOTE EXCHANGED THE 28TH DAY OF APRIL 1899 BETWEEN
 COUNT MOURAVIEFF, RUSSIAN MINISTER FOR FOREIGN AFFAIRS, AND
 SIR CHARLES SCOTT, BRITISH AMBASSADOR AT ST. PETERSBURG.

GREAT Britain and Russia, animated by a sincere desire to avoid in China all causes of conflict on questions where their interests meet, and taking into consideration the economic and geographical gravitation of certain parts of that Empire, have agreed as follows:—

1. Russia engages not to seek for her own account or for Russian subjects any railway concessions in the basin of the Yangtsze, nor to obstruct, directly or indirectly, in that region any applications for railway Concessions supported by the British Government.

2. Great Britain, on her part, engages not to seek for her own account or for British subjects any railway concessions north of the Great Wall of China, or to obstruct, directly or indirectly, in that region any applications for railway concessions supported by the Russian Government.

The two Contracting Parties, having nowise in view to infringe in any way the sovereign rights of China or existing Treaties, will not fail to communicate to the Chinese Government the present Arrangement, which, by averting all cause of complications between them, is of a nature to consolidate peace in the Far East, and serve the primordial interests of China herself.

TEXT OF SUPPLEMENTARY NOTES EXCHANGED AT THE SAME TIME RESPECTING
 THE NEWCHWANG RAILWAY.

To complete the notes exchanged this day respecting the partition of spheres for concessions and working of railways in China, it has been agreed to record in the present Additional Note the Arrangement arrived at in regard to the line Shan-hai-kuan-Newchwang, for the construction of which a loan has been already contracted by the Chinese Government with the Shanghai Hong Kong Bank, acting on behalf of the British and Chinese Corporation.

The general Arrangement established by the notes referred to above is not to infringe in any way the rights acquired under the said Loan Contract, and the Chinese Government may appoint both an English engineer and European accountant to supervise the construction of the line in question, and the expenditure of the money appropriated to it.

But it remains understood that this fact cannot be taken as constituting a right of property or foreign control, and that the line in question is to remain a Chinese line under control of the Chinese Government, and cannot be mortgaged or alienated to a non-Chinese Company.

As regards the branch line from Siaohechan to Sinminting, in addition to the aforesaid restrictions, it has been agreed that it is to be constructed by China herself, who may permit European (not necessarily British) engineers

to periodically inspect it, and verify and certify that the work is being properly done.

The present Agreement is, naturally, not to interfere in any way with the right of the Russian Government, if it think fit, to support applications of Russian subjects or establishments for concessions for railways which, starting from the main Manchurian line in a south-western direction, would traverse the region in which the Chinese line, terminating at Sinminting and Newchwang, is to be constructed.

APPENDIX A.—No. 6.

THE HSINMINTING-MUKDEN AND KIRIN-KWANGCHENGTE RAILWAYS.

Convention between Japan and China.

CONSUKE HAYASHI, Envoy Extraordinary and Minister Plenipotentiary of Japan, and Na T'ung, Ch'u Hungchi and Tong Shao-i, Ministers of the Imperial Chinese Board of Foreign Affairs, having been appointed thereto by their respective Governments, have agreed upon the following articles :—

1. The Chinese Government being desirous of purchasing the Hsinminting-Mukden Railway, constructed by Japan, hereby agrees that the purchase price thereof shall be Japanese gold yen 1,660,000, to be paid through the Yokohama Specie Bank at Tientsin.

The status of this railway shall be changed by the Chinese Government to that of the lines built by China herself, and it is agreed that one-half of the capital needed for that part of the line east of the Liao River shall be borrowed from the Southern Manchurian Railway Company.

2. The Chinese Government being about to construct a railway line herself from Kirin to Kwangchengtze, agrees to borrow from the aforesaid Company one-half of the capital needed for this work.

3. The conditions of the loans provided for in Articles 1 and 2, with the exception of the periods within which they are to be repayable, shall be in all respects similar to those of the Loan Contract of the railways inside and outside Shan-hai-kuan. The most important conditions are mentioned below. The regulations for the management of the railway line shall correspond with the methods at present employed by the General Office of the railway lines inside and outside Shan-hai-kuan.

(a) The periods within which the loans shall be repaid shall be for that of the Hsinminting-Mukden line east of the Liao River, eighteen years, and for the Kirin-Kwangchengtze line twenty-five years.

No repayment in full of these loans shall be allowed before the expiration of the periods named.

(b) The security for the loan from the Southern Manchurian Railway Company for that part of the Hsinmin-Mukden line east of the Liao River shall be the real property of the aforesaid section and its earnings.

The security for the mercantile shares to be issued by the Kirin-Kwangchengtze Railway Administration, as well as for the loan to be made from the Southern Manchurian Railway Company, shall be the real property of the said railway and its earnings.

So long as these loans are not repaid by the Chinese Government the aforesaid property and earnings of the above-named lines shall not be pledged as security for any other loan.

During the periods of these loans the Chinese Government agrees that the buildings, machinery, rolling-stock and road bed of the section of the Hsinmin-Mukden Railway east of the Liao River, and of the Kirin-Kwangchengtze Railway, shall be kept in good condition, and furthermore that such additions will be made to the rolling-stock from time to time as may be regarded to satisfy the demands of the traffic.

If the Kirin-Kwangchengtze line should hereafter build branch lines or an extension, the construction of such lines shall rest of right with the Chinese Government, but if there should be a lack of capital, application shall be made to the Southern Manchurian Railway Company for an arrangement. Should China, however, appropriate funds herself for the construction of any other railway lines than those mentioned, it shall not concern the Southern Manchurian Railway Company.

(c) The loans and the interest thereon are guaranteed by the Chinese Government, and should there be any failure to make payment of interest or re-payment of principal at the proper periods, the Company shall at once notify the Chinese Government, which shall pay over to the Company the amount of the shortage. If the Chinese Government, after such notification by the Company, shall be unable to make good the deficit in the payments of principal or interest, the line in question with its real property shall be handed over to the temporary control of the Company until the shortage is made good, after which it will be returned to the control of the Railway Administration.

If, however, the shortage be for a small amount only, an extension of time shall be granted as an accommodation, but never for more than three months.

(d) During the periods of these loans the Engineer in Chief employed shall be a Japanese, and should there be an insufficient supply of Chinese for the various posts in the service of the railways, Japanese may be employed with the Chinese. If at any time it shall become necessary to change the Engineer in Chief, consultation must first be had with the (Southern Manchurian Railway) Company before appointment may be made. There shall also be appointed one Japanese Accountant, who must be thoroughly qualified, and who shall have entire responsibility for the arrangement and oversight of the various accounts of the railways, but in his supervision of receipts and expenditures he must consult and act with the Director-General.

(e) The railways mentioned being Chinese Government lines, the latter shall have the right to transport soldiers and subsistence over either line free of charge whenever military affairs or measures of relief shall require.

(f) All earnings of the railways in question must be deposited in Japanese banks. As to the terms upon which such deposits shall be made, satisfactory arrangements shall be agreed upon by the parties concerned when the loan contracts are drawn up.

4. The Chinese Government, immediately after the purchase of the present Hsinmin-Mukden Railway, shall enter into a contract with the Southern Manchurian Railway Company for the loan in connection with that section of the line east of the Liao River, and shall also appoint and direct a Chinese engineer to consult and act with the Japanese engineer in making a survey of the Kirin-Kwangchengtze line to furnish a basis for estimating the amount of the loan needed for the construction of the line, and within six months after the completion (of the survey) shall enter into a contract with the Southern Manchurian Railway Company for the loan.

5. The lines from Hsinmin to Mukden, and from Kirin to Kwangchengtze, under the management of China, must connect with the Southern Manchurian Railway line. The Tientsin-Shan-hai-kuan Railway Administration and the Southern Manchurian Railway Company shall appoint representatives to consult together and draw up the necessary regulations.

6. The rate at which the loans specified in Articles 1 and 2 shall be issued, shall be determined fairly in accordance with the terms of the most recent loan negotiated by China with any foreign country.

7. Within one month after the payment of the purchase price of the Hsinmin-Mukden Railway the Chinese Railway Administration shall appoint officers to take control of the sums.

Japanese Calendar, Meiji XL Year, fourth Month, 15 Day.

Chinese Calendar, Kuanghsu XXXIII Year, Third Moon, 3 Day. (April 15, 1907.)

APPENDIX B.—No. 1.

CONTRAT D'EMPRUNT.

Entre les soussignés.

1. L.L.E.E. Les Vice-Rois du Tchili et du Houpé agissant en vertu des pleins pouvoirs du Gouvernement Impérial Chinois dûment autorisés par décret de sa Majesté l'Empereur de Chine, en date du 20 Octobre 1896, dont communication a été faite officiellement au Réprésentant de la Belgique à Pékin, par dépêche du Tsung-li Yamen en date du _____.

2. Le Gouvernement Impérial de la Chine représenté par S.E. Sheng Hsuan Huai, son Directeur-Général, et la Société d'Etudes des Chemins de fer en Chine, représentée par M. Eugene Hubert, Ingénieur, il a été convenu ce qui suit :

Article 1.—Le Gouvernement Impérial Chinois a, suivant décret en date du 20 Octobre 1896, dont copie est annexée au présent contrat, accordé la concession de la ligne de Lu-Kou-Tchiao (Pékin) à Hankow (1300 kilomètres environ) à la Compagnie des chemins de fer Chinois, qui possède des ressources s'élevant à Treize Millions de Taels.

Un édit de sa Majesté l'Empereur de Chine a autorisé L.L.E.E. les Vice-Rois du Tchili et Houpé et S.E. Sheng Hsuan-Huai, Directeur-Général des chemins de fer Chinois à créer au nom et pour le compte du Gouvernement Impérial Chinois, un emprunt dont le produit est destiné exclusivement à l'Etablissement de la ligne susmentionnée. Cet édit qui porte la date du 20 Octobre 1896 et dont une copie est annexée au présent contrat est ainsi concu :

“ Edit de Sa Majesté l'Empereur de Chine :

“ A la suite d'une demande de L.L.E.E. les Vice-Rois du Tchili et du Hukwang, adressée à Sa Majesté l'Empereur de Chine, un édit impérial portant la date de ce jour autorise la constitution d'une compagnie de chemin de fer tout en lui accordant la concession de la ligne de Lou-Kou-Tchao (Pékin) à Hankow.

“ Sa Majesté l'Empereur a autorisé la compagnie des chemins de fer à contracter à l'Etranger un emprunt dont le produit sera affecté tout entier à la construction de cette ligne.

“ S.E. Sheng-Hsuan-Huai, sous-secrétaire d'Etat, est nommé Directeur-Général de cette nouvelle compagnie.

“ Pekin, le 20 Octobre 1896.”

En conformité de cet édit, le Gouvernement Impérial Chinois, représenté par L.L.E.E. les Vice-Rois du Tchili et du Houpé et le Directeur-Général des

Chemins de fer Chinois, a décidé de créer un emprunt 5% extérieur or, de l'Etat, d'un montant nominal de 112,500,000 francs (soit £4,500,000). Cet emprunt recevra la dénomination d'Emprunt Chinois 5% 1898.

Article 2.—Cet emprunt sera représenté par 225,000 obligations de 500 francs or.

Ces obligations, dont le texte est annexé au présent contrat, seront signées au nom du Gouvernement Impérial Chinois par les Vice-Rois du Tchili et du Houpé et par le Directeur-Général de la Compagnie des Chemins de fer Chinois.

Elles seront émises en coupures de 1 à 5 obligations, dans la proportion qu'indiquera la Société d'Etudes des Chemins de fer en Chine et confectionnées aux frais de celle-ci.

Elles rapporteront 5 % d'intérêt par an sur le capital nominal payables en or.

Les intérêts courront à compter du jour des versements et seront payables le premier Septembre et le premier Mars de chaque année.

Le premier coupon est payable en or par — francs.

Article 3.—L'emprunt sera amorti en 20 années, à partir de l'année 1909, par voie de tirages au sort annuels qui auront lieu à Bruxelles, dans les bureaux de la Société Générale pour favoriser l'Industrie Nationale, conformément au tableau annexé aux présentés.

Les tirages seront effectués le deuxième Mardi de Janvier de chaque année ; le premier tirage aura lieu à cette date en 1909.

Les numéros des titres sortis seront publiés dans quatre journaux aux frais de la Société d'Etudes des Chemins de fer en Chine.

Article 4.—Les obligations sorties au tirage, seront payées en or à leur valeur nominale à l'échéance du coupon suivant le tirage. Les obligations présentées au remboursement, devront être munies de tous les coupons non encore échus et le montant des coupons manquants sera déduit du capital à rembourser.

Les intérêts sur les obligations cessent de courir à partir du jour indiqué pour le remboursement.

Article 5.—Le Gouvernement Impérial Chinois s'interdit de procéder avant le premier Septembre 1907 à une augmentation de l'amortissement, à un remboursement de la totalité de l'emprunt ou à sa conversion. Après cette date, il sera libre de rembourser l'emprunt à n'importe quel moment devant les termes d'échéance, et une fois le remboursement effectué, le contrat sera déclaré nul.

Article 6.—Les coupons et les titres amortis seront payables en francs en Europe, dans le ou les établissements que la Société d'Etudes désignera et chargera du service de l'emprunt.

Article 7.—Le paiement des intérêts et le remboursement des obligations faisant partie du présent emprunt sont garantis par les revenus généraux du Gouvernement Impérial Chinois. De plus, en vertu d'une autorisation déjà accordée par le Gouvernement Chinois, et d'accord avec lui, la Compagnie des Chemins de fer Chinois déclare affecter spécialement par préférence au paiement des intérêts et du capital du présent emprunt et en conséquence céder et déléguer en faveur des dites obligations, tout le produit net de la

ligne de Lu-Kou-Tchiao (Pékin) à Hankow, après paiement régulier de tous frais d'administration et d'exploitation, le tout, ainsi qu'il est d'ailleurs indiqué dans un traité d'exploitation intervenu entre la Compagnie des Chemins de fer Chinois et la Société d'Etudes des Chemins de fer en Chine, traité ci-annexé et faisant partie intégrante avec ce contrat.

Cette affectation est faite d'une manière exclusive et irrévocable jusqu'à complète extinction des obligations du présent emprunt.

Article 8.—La Compagnie des Chemins de fer Chinois charge la Société d'Etudes de verser les fonds provenant du produit net de l'exploitation à la Société Générale pour favoriser l'Industrie Nationale établie à Bruxelles, ou à la société que celle-ci désignera. Celle-ci convertira en or, au mieux des intérêts du Gouvernement Impérial Chinois et de la Compagnie des Chemins de fer Chinois, et jusqu'à concurrence de la somme nécessaire pour assurer le service de l'emprunt à l'échéance semestrielle suivante, les remises qui lui seront faites par la Société d'Etudes chargée par la Compagnie des Chemins de fer Chinois de les effectuer.

Ces remises de la Société d'Etudes à la Société Générale Belge, ou à la société que celle-ci désignera, continueront jusqu'à ce que la somme nécessaire pour le service intégral de l'emprunt à l'échéance semestrielle suivante ait été réalisée en or, et de telle sorte que ce service soit assuré trois mois au moins avant cette échéance semestrielle. Les établissements dépositaires feront valoir ces sommes de la manière la plus avantageuse au profit de la compagnie chinoise.

Le compte dans lequel ces sommes seront versées sera débité vingt jours avant l'échéance semestrielle de la somme nécessaire pour le service de l'emprunt, intérêt, amortissements, frais et commissions.

Article 9.—La Banque qui aura reçu en dépôt les fonds aura le droit de prélever, sans nouvelles autorisations, sur ces fonds en dépôt le montant des coupons à payer pendant la période de construction.

Article 10.—Pour assurer la garantie qui vient d'être donnée aux obligations du présent contrat la Compagnie des Chemins de fer Chinois concède à ces obligations une garantie spéciale de premier rang sur le chemin de fer de Lu-Kou-Tchiao (Pékin) à Hankow; ligne, matériel fixe et roulant et produits.

Cette affectation spéciale est acceptée au nom des porteurs d'obligations par la Société d'Etudes.

En cas de non exécution des engagements pris par la Compagnie des Chemins de fer Chinois dans le présent contrat, la société d'Etudes ou la société Belge qu'elle se substituera aura tous pouvoirs pour exercer sur les dits biens tous droits et actions résultant de cette affectation spéciale.

Article 11.—Les stipulations qui précèdent ne font pas obstacle à la responsabilité personnelle du Gouvernement Impérial Chinois relativement au présent emprunt, telle que cette responsabilité est spécifiée à l'article 7. En conséquence, le Gouvernement Impérial Chinois s'engage à parfaire la somme nécessaire pour le service, en or, de l'emprunt, au cas où les sommes provenant du produit net de la ligne de Lu-Kou-Tchiao (Pékin) à Hankow, et versées par la Société d'Etudes, chargée de ce service par la Compagnie des Chemins de fer Chinois, à la Société Générale Belge, ou à la société qu'elle se

sera substituée, n'auraient pas produit, après leur conversion en or, et trois mois au moins avant l'échéance semestrielle suivante, somme suffisante pour assurer ce service.

Dans ce cas, et sur la demande qui lui en sera adressée, le Gouvernement Impérial Chinois devra tenir à la disposition de la Société Générale Belge ou de la société qu'elle se sera substituée, soixante jours avant l'échéance semestrielle suivante, en or, ou en valeurs jugées suffisante pour la produire, en or, la somme qu'elle lui aura indiquée comme étant nécessaire pour compléter le service.

Article 12.—Sur les sommes provenant des versements de la Société d'Etudes ou des versements du Gouvernement Impérial Chinois, la Société Générale Belge ou la société qu'elle se sera substituée, mettra en temps utile à la disposition des maisons et établissements chargés du service de l'emprunt les montants à ce nécessaires dans la mesure des besoins constatés dans le semestre précédent.

Article 13.—Le Gouvernement Impérial Chinois paiera aux maisons et établissements chargés du service de l'emprunt une commission de $\frac{1}{4}\%$ sur le montant des coupons payés; et une commission de $\frac{1}{4}\%$ sur le montant des obligations sorties au tirage ou amorties par suite de remboursement anticipé.

Le montant de cette allocation sera prélevé chaque semestre sur l'excédent des produits d'exploitation disponibles, et en cas d'insuffisance, il sera acquitté immédiatement par le Gouvernement Impérial Chinois.

Article 14.—Le Gouvernement Impérial Chinois s'oblige à respecter, et à faire respecter, le privilège stipulé en faveur des obligations par l'article 9, par ces présentes conventions, et à maintenir quittes, libres et affranchis de tout impôt quelconque, les titres et les coupons ainsi que toutes les opérations quelconques se rattachant au service de l'emprunt.

Article 15.—Les coupons qui n'auront pas été présentés à l'encaissement dans les cinq années qui suivront leur échéance, seront prescrits en faveur de Gouvernement Impérial Chinois; le délai sera de trente ans pour les titres amortis.

A la mort de tout porteur d'obligations du présent emprunt les titres seront transmis et appartiendront à ses héritiers, conformément aux lois de succession en vigueur dans le pays dont le porteur décédé était sujet.

Les paiements des coupons et le remboursement des titres seront effectués en temps de guerre comme en temps de paix aux porteurs indifféremment, qu'ils soient sujets d'Etats amis ou d'Etats ennemis.

En cas de perte, de vol ou de destruction d'obligations du présent emprunt, le Gouvernement Chinois procédera au remplacement des titres après qu'il lui aura été fourni des preuves jugées satisfaisantes, de la perte ou de la destruction des titres et des droits des réclamants.

Article 16.—Le Gouvernement Impérial Chinois, par l'intermédiaire de ses représentants en Europe, fera immédiatement les démarches et fournira les pièces nécessaires pour obtenir l'admission du présent emprunt à la cote officielle des bourses de Bruxelles et de Paris.

Article 17.—Sur la totalité du présent emprunt, s'élevant au capital nominal à la somme de 112,500,000 francs, la Société d'Etudes des Chemins

de fer en Chine, achète ferme, 39,000,000 de francs capital nominal, soit 78,000 obligations de 500 francs, jouissance à dater du versement aux banques designées à l'article suivant, au prix de 90% soit pour la somme totale de 35,100,000 francs.

Article 18.—La Société d'Etudes des Chemins de fer en Chine versera les produit de cet achat, savoir : 8,600,000 francs dans les caisses de la Banque Russo-Chinoise à Shanghai, et le solde dans les caisses d'une banque désignée de commun accord par le Directeur-Général de la Compagnie des Chemins de fer Chinois et la Société d'Etudes et contre remise à la Banque Russo-Chinoise à Paris des titres définitifs de 78,000 obligations achetées ferme, et dépôt à la même banque des titres définitifs de 147,000 obligations formant le surplus de l'emprunt.

La Banque Russo-Chinoise, et la Banque désignée de commun accord par la compagnie des Chemins de fer Chinois et la Société d'Etudes porteront au crédit de la Compagnie des Chemins de fer Chinois les sommes déposées dans leurs caisses, étant entendu que les établissements dépositaires ne seront tenus de délivrer ces sommes que dans les conditions et sous les réserves indiquées à l'article 20 ci-après. Les établissements dépositaires feront valoir ces sommes au profit de la Compagnie des Chemins de fer Chinois de la manière la plus avantageuse.

Article 19.—La Compagnie des Chemins de fer Chinois déclare qu'elle a des ressources s'élevant à Treize Millions de Taels.

L'exécution du chemin de fer de Lu-Kou-Tchiaou (Pékin) à Hankow étant limitée provisoirement à la section de Lu-Kou-Tchiaou (Pékin) à Paoting (145 kilomètres) et à la section Hankow-Siniang (247 kilomètres) qui devront être exécutées en premier lieu.

Il est entendu que les Treize Millions de Taels sous-indiqués seront d'abord appliqués à la construction et à la mise en état d'exploitation complète de la section Lu-Kou-Tchiaou-Paoting.

Les travaux de construction de l'ensemble de la ligne (non compris la section Pékin-Paoting) se feront sous la direction de la Société d'Etudes des Chemins de fer en Chine ou de ses délégués, mais pour compte de la Compagnie des Chemins de fer Chinois.

La Société d'Etudes arrêtera les études, plans, traces, devis de l'ensemble de la ligne, dirigera l'exécution de tous les travaux et commandera le matériel, l'outillage et le mobilier nécessaires pour assurer l'exploitation régulière ; toutefois, le Directeur-Général de la Compagnie des Chemins de fer Chinois se réserve le droit d'approuver les plans de construction et les marchés de fournitures. Sauf pour les fournitures de matériel et les frais de toute nature acquittés en Europe, la Compagnie des Chemins de fer Chinois devra mettre à la disposition de la Société d'Etudes les sommes nécessaires pour effectuer sans exception tous les paiements nécessaires par l'exécution des travaux, le paiement du personnel qui sera sous les ordres de la Société d'Etudes et en général tous frais quelconques. La Société n'aura donc à faire face à aucune dépense au moyen de ses propres deniers. Elle cherchera à achever les travaux de la ligne dans un délai de trois ans.

Article 20.—Sur la section Hankow-Siniang, et éventuellement sur les autres sections entre Paoting et Siniang, la Banque Russo-Chinoise d'abord

et la Banque désignée de commun accord par la Compagnie des Chemins de fer Chinois et la Société d'Etudes ensuite, verseront chaque mois à la Compagnie des Chemins de fer Chinois sur les fonds disponibles entre leurs mains les sommes nécessaires pour effectuer les paiements du mois suivant, conformément aux états de provisions dressés par la Société d'Etudes ou ses délégués.

Un premier transfert, équivalent à la valeur estimée des travaux déjà exécutés sur la section Hankow-Siniang sera fait sur le premier crédit.

Le prix payé pour les obligations sus-indiquées étant exclusivement affecté à la construction de la ligne Hankow à Paoting la Banque Russo-Chinoise et la Banque dont question au paragraphe premier du présent article, auraient le droit de ne pas se dessaisir des fonds dans le cas où l'un de leurs versements n'aurait pas reçu l'affectation prévue comme aussi dans le cas où les délégués de la Société d'Etudes ne seraient pas mis en mesure par la Compagnie des Chemins de fer Chinois de poursuivre la direction des travaux de construction, dont cette société est exclusivement chargée.

Le solde, s'il en existe, sera tenu à la disposition de la Compagnie des Chemins de fer Chinois.

Article 21.—Le Gouvernement Chinois concède à la Société d'Etudes l'option jusqu'au 31 Decembre 1901, de se rendre acquéreur du surplus de l'emprunt soit: 73,500,000 francs, et ce au prix de 90 % nominal, plus la fraction courue du coupon.

Cette option pourra être exercée en une ou plusieurs fois sans égard aux amortissements opérés et sans que chaque déclaration puisse porter sur une somme inférieure à 25,000,000 de francs effectifs.

La livraison des titres levés sur les options aura lieu à la Banque Russo-Chinoise à Paris, elle sera faite en titres définitifs dans le délai d'un mois compté de la notification par dépêche à la direction des chemins de fer chinois.

Le prix de ces titres sera versé à la banque désignée de commun accord par la Compagnie des Chemins de fer Chinois et la Société d'Etudes, qui ne s'en dessaisira que dans les conditions et sous les justifications prévues à l'article 20 ci-dessus.

Article 22.—Si la Société d'Etudes profite de la faculté qui lui est accordée d'acquérir tout ou partie des titres sur lesquels un droit d'option lui est réservé, elle s'entendra chaque fois avec la Compagnie des Chemins de fer Chinois pour déterminer les sections à construire au moyen de ces ressources nouvelles.

Article 23.—Les études de la ligne, à partir de la signature du présent contrat, sont à la charge de la Compagnie des Chemins de fer Chinois, celles seront faites d'abord sur les sections Hankow-Siniang et ensuite successivement pour chacune des autres sections concernant l'exécution desquelles l'accord interviendrait avant que la Société d'Etudes ne fasse usage du droit d'option qui lui est réservé par l'article 21.

Il est dès aujourd'hui entendu que la section à construire au moyen des fonds provenant de la première option sera celle de Paoting vers le fleuve jaune, et que les études en seront commencées dès la première année.

Article 24.—La Société d'Etudes se réserve la faculté de faire une ou

plusieurs émissions, par voie de souscription publique ou autrement, de tout ou partie des obligations achetées ferme ou faisant partie de l'option.

Si l'émission a lieu par voie de souscription publique la Société d'Etudes aura le droit de comprendre dans le montant offert en souscription, en dehors des 78,000 obligations prises ferme, tout ou partie des obligations formant l'objet des options sans que, par ce fait, elle soit obligée de prendre ferme une partie quelconque des titres faisant l'objet des options.

Elle aura un début de 15 jours à compter de la clôture de la souscription publique pour déclarer par télégramme recommandé adressé à son E. Sheng, Directeur-Général de la Compagnie des Chemins de fer Chinois, à Shanghai, qu'elle leve sur l'option telle quantité d'obligations qu'elle indiquera et ce aux prix et conditions ci-dessus spécifiés.

Le paiement et la livraison des titres levés par la Société d'Etudes à la suite de la souscription publique, auront lieu dans les conditions prévues aux articles ci-dessus.

Article 25.—Le présent contrat ne sera obligatoire pour la Société d'Etudes qu'autant qu'elle aura l'assurance qu'a l'exception que ce qui pourra être fourni par les usines d'Hanyang, la totalité du matériel et des fournitures nécessaires à la construction et à l'exploitation du chemin de fer du Lu-Kou-Tchaio (Pékin) à Hankow, sera demandé et commandé à la Société d'Etudes qui exécution les commandes dans les meilleures conditions possibles.

Il est fait exception pour le matériel nécessaire à l'armement du tronçon de Lu-Kou-Tchiao à Paoting parceque ce matériel est presque complètement acheté.

La justification de l'exécution de cette clause par la Compagnie des Chemins de fer Chinois resultera des commandes du matériel de chacune des sections entreprises.

Les commandes faites à la Société d'Etudes seront exemptés de tous droits de douane et de likin à leur entrée ou à leur passage sur le territoire Chinois.

Si la justification de cette franchise ne lui était pas fournie avant l'expiration du mois qui suivrait la date à laquelle le Gouvernement Belge aurait fait savoir à la Société Belge qu'il a reçu les notifications prévues à l'article 29, elle se réserve la faculté de ne pas se considérer comme engagée.

Elle se réserve la même faculté, et dans le même délai, s'il venait à se produire des événements extraordinaires, tels qu'une guerre, ou si la rente française baisse au dessous du pair.

Si de son côté, la Société Belge ne tenait pas les engagements qu'elle a pris dans le présent contrat, celui-ci serait annulé : la Compagnie des Chemins de fer Chinois serait libre de contracter avec qui elle voudrait et de renoncer au service de l'ingénieur contrôleur.

Article 26.—En cas de conflits ou de divergences entre la Société d'Etudes ou ses délégués et le Gouvernement Impérial Chinois ou la Compagnie des Chemins de fer Chinois, ces conflits ou divergences seront soumis au jugement d'un membre du Tsungli-Yamen et du Ministre de Belgique en Chine.

En cas de désaccord entre ces derniers, le Tsungli-Yamen et le Ministre de Belgique désigneront un arbitre qui décidera définitivement.

Article 27.—En garantie de l'exécution financière du présent contrat la

Société d'Etudes a, dès avant ce jour, déposé dans les caisses de la Banque Russo-Chinoise, un cautionnement de 20,000 livres sterling.

Elle reprendra la libre disposition de cette somme immédiatement après avoir satisfait aux clauses stipulées dans les deux premiers paragraphes de l'article 18 ci-dessus.

Il est entendu que le versement de 8,600,000 francs dans les caisses de la Banque Russo-Chinoise à Shanghai devra être fait dans le mois qui suivra la date de la signature du présent contrat.

Article 28.—Si le Ministre de Belgique à Pekin en faisait la demande au Tsungli-Yamen, celui-ci serait tenu de notifier le titre au Ministre du pays étranger qu'il désignerait comme prenant part à la souscription des titres.

Article 29.—Le présent contrat est établi en trois exemplaires, dont un pour le Gouvernement Chinois un pour la Compagnie des Chemins de fer Chinois, et le troisième pour la Société d'Etudes des chemins de fer en Chine.

En cas de doute ou de différence le texte français fera seul foi pour l'interprétation du contrat.

Le présent contrat devra être soumis par qui de droit à la sanction impériale et, lorsque cette sanction sera obtenue le Tsungli-Yamen devra en aviser par dépêche officielle le Représentant de la Belgique à Pekin et éventuellement le Représentant à Pekin du pays étranger auquel le titre sera notifié. Ces formalités seront remplies dans le délai d'un mois qui suivra la signature du contrat.

Sont et demeurent maintenues celles des stipulations du contrat intervenu à Wuchang le 27 Mai 1897 et du protocole signé le 21 Juillet 1897, qui ne sont pas contraires aux présentes, et notamment celles de l'article 14 du contrat de Wuchang et de l'article 2 du protocole de Shanghai.

Au présent contrat sont intervenues la Société Générale de Bruxelles et la Banque Russo-Chinoise lesquelles, connaissance prise du contrat qui précède, déclarent, en tant que de besoin, accepter le mandat en résultant.

Conformément à l'article 14 du contrat du Wuchang précité, la Compagnie des Chemins de fer Chinois ne reconnaîtra que la Société Belge contractante.

Fait à Shanghai le vingt-six du mois de Juin 1898.

L'Ingenieur représentant la Société d'Etudes des Chemins de fer en Chine. Le Directeur-Général de la Compagnie des Chemins de fer Chinois.

(Sgd.) HUBERT.

(Sgd.) Chinese seal and
signature.

(Also two witnesses.)

Vu pour la légalisation de la signature de M. Hubert.

Shanghai, le 26 Juin 1898.

LE CONSUL DE BELGIQUE.

(Seal of the Belgian Consulate at Shanghai.)

A. FREUY.

Les Délégués du Gouvernement Imperial Chinois.

LE VICE-ROI DU HOUPE.

Seal.

LE VICE-ROI DU TCHILI.

Seal.

APPENDIX B.—No. 2.

CONTRAT D'EXPLOITATION.

Entre les Soussignés.

1. LE Gouvernement Impérial Chinois, par L.L.E.E. les Vice-Rois du Tchihli et du Houpé ;

2. La Compagnie des Chemins de fer Chinois, représentée par S.E. Sheng Hsuai-Huai, son Directeur-Général, Compagnie qui a son siège à Shanghai.

Et la Société d'Etudes de Chemins de fer en Chine dont le siège est à Bruxelles, il a été convenu ce qui suit :

Article 1.—La Compagnie des Chemins de fer Chinois d'accord avec le Gouvernement Impérial Chinois charge la Société d'Etudes de Chemins de fer en Chine, qui nommera des délégués à cet effet, de diriger, administrer et exploiter la ligne de Hankow à Lu-Kou-Tchiao (Pékin) dont elle est concessionnaire suivant Edit de Sa Majesté l'Empereur de Chine en date du 20 Octobre et dont une copie est annexée au présent contrat.

Article 2.—La Société d'Etudes prendra l'exploitation de la ligne au fer et à mesure de l'achèvement de chaque section après réception définitive par l'Administration Impériale des Chemins de fer Chinois ; chaque section devant être complètement et préalablement armée et munie de tout le matériel nécessaire à l'exploitation, ainsi que des approvisionnements, de l'utilage, du mobilier, et du fond de roulement ; la Société d'Etudes ou les délégués qu'elle aura nommés en conformité des stipulations de l'article premier, organisera les services, aura le droit de recruter le personnel, sur lequel elle aura un droit absolu de révocation ou de licenciemment, déterminera ses émoluments d'après un cadre organique dont la communication aura préalablement été faite au Directeur-Général de la Compagnie des Chemins de fer Chinois, fera toute commande nécessaire à l'exploitation et à l'entretien ou à la réparation des voies, fixera les tarifs dans les termes des contrats de concession, en caissera les recettes de toute nature et effectuera le paiement des dépenses de l'exploitation et d'administration de la compagnie.

Les mesures qui précédent, prises en vue de l'exploitation de la ligne, seront soumises à titre consultatif, à l'avis du Directeur-Général des Chemins de fer Chinois.

La Compagnie des Chemins de fer Chinois, qui nommera des délégués à cet effet, aura un droit de contrôle le plus étendu sur les recettes et les dépenses ; l'acquisition de tout le matériel neuf ou les travaux d'amélioration ou d'extension de la voie courante au des gares qui seraient nécessaires après l'ouverture à l'exploitation de chaque section, demourant simplement à la charge de la Compagnie des Chemins de fer Chinois.

Dans la mesure du possible, les commandes nécessitées par l'entretien et les réparations de la ligne seront faites aux usines et aux mines dépendant du Directeur-Général de la Compagnie des Chemins de fer Chinois.

Article 3.—En cas de guerre ou de révolution en Chine, le transport des troupes, des munitions et des approvisionnements de l'armée chinoise, aura taxé au tarif réduit de 50% ; il se fera conformément aux instructions du Directeur-Général de la Compagnie des Chemins de fer Chinois. Il sera de plus interdit de transporter tout ce qui seront de nature à nuire au Gouvernement Impérial Chinois.

Article 4.—Sur les résultats de l'exploitation restant disponibles après paiement de tous frais, la Société d'Etudes retiendra la somme nécessaire pour assurer chaque sémestre, et trois mois au moins avant l'échéance, le service de l'emprunt de 112,500,000 francs, contracté par le Gouvernement Imperial Chinois.

Cette retenue sera effectué étant que le dit emprunt ne sera pas intégralement remboursé.

Le produit de cette retenue sera versé chaque mois entre les mains de la Société Générale Belge pour favoriser l'Industrie Nationale, ou entre les mains de la société que celle-ci aura désignée. Celle-ci convertira en or, au mieux, les sommes à elle versées pour les employer au service de l'emprunt.

Lorsqu'au moyen des sommes ainsi versées le service en or de l'emprunt aura été assuré, la Société d'Etudes prélevera 10% du surplus qui sera affecté à la constitution d'un fonds de réserve pour effectuer les réfections ou réparations extraordinaires nécessaires en vue d'assurer l'exploitation.

Elle versera ensuite le solde restant disponible sur les produits de l'exploitation à la Compagnie des Chemins de fer Chinois.

Article 5.—La durée du présent contrat d'exploitation est fixée à trente années à compter de la date de la signature du contrat.

Toutefois cette durée serait prolongée de plein droit au cas où, à ce moment, l'emprunt de 112,500,000 francs ne serait pas intégralement amorti ; cette prolongation se continuera tant que cet amortissement intégral n'aura pas été effectué.

Mais si le remboursement de l'emprunt était effectué avant les termes d'échéance, le présent contrat d'exploitation serait annulé à partir du jour du remboursement total de l'emprunt.

Article 6.—Pendant toute la durée de l'exploitation de la ligne par la Société Belge, la Compagnie des Chemins de fer Chinois lui accorde une participation de 20% dans les bénéfices nets du Chemin de fer de Pékin à Hankow tels qu'ils auront été arrêtés de commun accord après chaque exercice, en tenant compte, bien entendu des sommes nécessaires pour faire le service de l'intérêt et de l'amortissement des emprunts.

Article 7.—En cas de conflit ou de divergence entre la Société d'Etudes et la Direction des Chemins de fer Chinois, ou le Gouvernement Impérial Chinois, ces conflits et divergences seront réglés ainsi qu'il est spécifié à l'article 26 du contrat d'emprunt.

Article 8.—Si les recettes d'exploitation n'étaient pas suffisantes pour couvrir les frais, la Compagnie des Chemins de fer Chinois aurait à fournir à la Société d'Etudes les ressources nécessaires pour assurer le service de l'exploitation dans les conditions normales.

Article 9.—Tout le matériel et toutes les fournitures dont la Société d'Etudes pourra avoir besoin pour l'exploitation, comme aussi pour l'entretien et la réparation de la ligne, seront, lors qu'ils parviendront de l'étranger, affranchis de tous droits de douane et de likin.

Article 10.—Le présent contrat est établi en trois exemplaires : dont un pour le Gouvernement Imperial Chinois, un pour la Compagnie des Chemins de fer Chinois, et la troisième pour la Société d'Etudes des Chemins de fer en Chine.

En cas de doute ou de différence, le texte français fera seul foi pour l'interprétation du contrat.

Le présent contrat devra être soumis par qui de droit, à la Sanction Impériale et, lorsque cette sanction sera obtenue, le Tsungli-Yamen devra en aviser par dépêche officielle le Représentant de la Belgique à Pékin et eventuellement le Représentant à Pékin du pays étranger auquel le titre sera notifié.

Fait a Shanghai le vingt-six mois de Juin 18 quatre-vingt-dix-huit.

L'Ingénieur Représentant la Société le Directeur-Général de la Compagnie d'Etudes des Chemins de fer en des Chemins de fer Chinois.
Chine.

Sig. of HUBERT.

Sig. of H.E. SHENG.
(Two Witnessses.)

Vu pour la légalisation de la signature de M. Hubert.

Shanghai, le 26 Juin 1898.

(Seal of the Consulate.)

Le Consul de Belgique,
A. FREUY.

Les Délégués du Gouvernement Impérial Chinois.

LE VICE-ROI DU HOUPE. LE VICE-ROI DU TCHIHLI.

APPENDIX C.—No. 1.

AGREEMENT FOR THE CONSTRUCTION OF A RAILWAY FROM TAOKOW TO CHINGHUA, IN THE PROVINCE OF HONAN, MADE BETWEEN H.E. SHENG HSUAN-HUAI, DIRECTOR-GENERAL OF RAILWAYS, BEING THERETO SPECIALLY AUTHORISED BY THE CHINESE GOVERNMENT, AND GEORGE JAMIESON, Esq., C.M.G., AGENT-GENERAL OF THE PEKIN SYNDICATE LIMITED, ALSO BEING FULLY AUTHORISED BY THE SAID SYNDICATE.

1. On the 21st May 1898 (Kwanghsu 24th year 4th Moon 2nd day) the Shansi Bureau of Trade signed an Agreement with the Pekin Syndicate for working coal and iron in the five following places, namely, Yu Hsien, Pingting Chow, Luanfu, Tsechowfu, and Pingyangfu in the province of Shansi, and on the 21st June 1898 (Kwanghsu 24th year 5th Moon 3rd day) the Yu-Feng Company signed a mining Agreement with said Syndicate for mining in Honan in the neighbourhood of Huai Ching and north of the Yellow River. These Agreements were both ratified by the Tsungli Yamen, in pursuance of an Imperial Decree dated 17th May 1898 (Kwanghsu 24th year intercalary 3rd Moon 27th day). In Article 17 of said Agreements it was stated that the Pekin Syndicate, on notifying the Governor of the province, should be permitted to build a railway to connect the mines with a main line or with water navigation. In June 1902 the Pekin Syndicate began to open coal mines in Sui Wu Hsien of Honan province, and at the same time gave notice to the Governor and obtained permission to build a railway from the said mines to Taokow, a port on the Wei River.

The British Minister has now applied that the said railway be put under the General Administration of the Imperial Chinese Railway Company, and the matter having been arranged in consultation with the Wai Wu Pu, this Agreement has been discussed and settled between the Director-General of the said Imperial Chinese Railway Administration and the said Syndicate.

The line from Taokow to Tsechow is divided into two sections, the first from Taokow to the neighbourhood of Chinghua Chen, a distance of 90½ miles; the second section is from Chinghua Chen to the neighbourhood of Tsechow in Shansi, a distance of 38 miles more or less.

The construction of the first section has been undertaken by the Pekin Syndicate, and is now approaching completion. The present Agreement deals specially with the first section from Taokow to Chinghua Chen. As regards the second section, it is agreed that hereafter, when the Pekin Syndicate has fixed a date for opening mines in the neighbourhood of Tsechow, a supplementary Agreement will be drawn up between the Director-General and the Pekin Syndicate to provide funds for construction, etc. of this section on

terms in conformity with those of the present Agreement for the Taokow to Chinghua line, and on the basis of the Russian Cheng-Tai Railway Agreement,¹ said terms to be settled at their discretion.

The cost of construction of the line from Taokow to Chinghua Chen, including rolling-stock and monies expended by the Syndicate as estimated by the Chinese Engineer after verification of the proper accounts, is £614,600. But in order to provide a liberal sum to meet the expenses of working the line until it is fully developed, and the interest on the loan, the Director-General has fixed the amount of the loan at £700,000, in 7000 bonds of £100 each. This loan is to bear interest at 5 per cent. per annum, and to be called the Chinese Imperial Government Honan Railway 5 per cent. (gold) loan of 1905.

2. Out of the above amount of £700,000 there will be issued to the Syndicate 6829 bonds of £100 each, which the Syndicate takes firm at the price of 90 per cent. of face value, equivalent to £614,600 cash, in order to refund the above amount of capital. This will be done on the day when the line is handed over to China, and interest on the bonds will accrue from date of issue.

At the same time the Syndicate will make up and present an account with vouchers of all initial expenditure not already included in construction account, and of the sums provided by them from time to time for the ordinary working of the line from the date of opening to traffic to the time of handing over, and request the General Administration to examine and settle it. Any loss on working account after deducting earnings will be borne half and half by each. To the amount so found due will be added interest on capital from January 1st, 1905, to the date of handing over, and the total of these two items will be refunded to the Syndicate by the former issue of bonds out of the 171 surplus bonds in hand for the required amount reckoned at 90 per cent. of face value. If any bonds still remain over they will be retained by the Imperial Chinese Railway Administration for future use. If after the line is taken over the earnings of the line are insufficient to meet the payment for interest and refund of capital at due date a further loan may be obtained from the Syndicate. These bonds shall be signed in the name of the Chinese Government by the Chinese Minister in London.

The interest coupons will be paid at their face value in gold in London on the 1st of July and 1st January of each year. Coupons falling due and paid will be collected in numerical order by the Syndicate at its cost and handed over to the Chinese Minister in London.

3. The loan shall be redeemed in twenty years dating from the tenth year of issue by annual drawings, which shall be held in London at the office of the Pekin Syndicate, in conformity with the schedule hereto annexed.

The drawings will be held on the 2nd Tuesday of January of each year. The first of such drawings shall be held in the year 1916. The number of drawn bonds at each drawing will be published in four daily newspapers at the cost of the Syndicate.

4. Drawn bonds shall be paid in gold at their face value at date when the next interest falls due. Bonds presented for payment must be surrendered along with all the interest coupons not yet due. In case of shortage the sum of

¹ *Vide Appendix F, No. 1, p. 267*

the missing coupons shall be deducted from the capital repayable. Interest on the bonds will cease on the date when the latter are repayable. Repaid bonds will be collected by the Pekin Syndicate at its cost, and handed over to the Chinese Minister in London.

5. The Chinese Government shall not be at liberty before the year 1916 to augment the amount of the annual instalments for redemption, nor to repay the whole amount of the loan, nor to convert the loan. After this date the Chinese Government shall be at liberty at any time to repay the whole amount of the loan, provided, however, that until the expiry of the Syndicate's mining concessions the rates then in force for the conveyance of minerals shall not be arbitrarily increased to the detriment of the Syndicate's business. On the other hand, the Syndicate, after having settled an equitable tariff with the General Administration, based on the practice on other lines, shall not make pretexts to lower the rates to the detriment of the fund available for payment of principal and interest.

6. Interest coupons and drawn bonds shall be repayable in gold in London at the office of the Pekin Syndicate, or of such bank as the Syndicate may appoint for that purpose.

7. Payment of interest and repayment of the bonds forming this loan are guaranteed upon the general revenue of the Chinese Government. Further, by consent of the Chinese Government, the Imperial Chinese Railway Administration hereby declares that the net earnings of the said section of railway, after payment of the ordinary working expenses, are specially reserved for payment of interest and repayment of the said bonds, as is set out in the Working Agreement¹ made between the said Imperial Chinese Railway Administration and the Pekin Syndicate, and which working Agreement is to be taken as one with this Contract. This reserve is exclusively for the purposes above set forth, and is not divertible until the final extinction of the bonds of this loan.

8. The Imperial Chinese Railway Administration, after having taken note of the net receipts, authorises the Pekin Syndicate to convert the amount into gold, which shall be done on the most favourable terms in the interest of the Chinese Government and the Imperial Chinese Railway Administration, in order to assure the service of the loan at the next half-yearly period of payment. The remittances to the head office of the Pekin Syndicate in London shall continue until the sum necessary for the whole service of the loan at the next half-yearly payment has been realised in gold, and so that the service of the loan is assured three months at least before the half-yearly payment falls due.

The bank in which such sums are deposited will allow the best interest obtainable, for the benefit of the Imperial Chinese Railway Administration. The account in which said sums stand will be debited twenty days in advance with all the payments falling due at any half-yearly period, as provided for in this Contract, whether for interest, repayment of capital, cost of transport or commission.

9. In order to assure more fully the guarantee now given for the loan, the Imperial Chinese Railway Administration creates in favour of the bonds

¹ Appendix C, No. 2, p. 240.

a first mortgage over the said section of railway line, its permanent way, rolling-stock, and earnings. This special hypothecation is made to and accepted by the Pekin Syndicate for the benefit of the bondholders.

In case the Imperial Chinese Railway Administration shall fail to carry out the engagements entered into by this Contract the Pekin Syndicate can exercise, in respect to the said railway and property, all the rights and powers which they are entitled to exercise resulting from this special hypothecation.

10. The foregoing stipulations do not militate against the responsibility of the Chinese Government in regard to this loan as specified in Article 7. The Chinese Government will devise means to provide the amount in gold necessary to supply the deficiency in case the sums accruing from the net earnings of the said section of railway, and paid over by the Chinese Railway Administration, are insufficient, after conversion into gold, to provide at least three months ahead for the payment falling due at the next half-yearly period.

In such case the Chinese Government will on demand place at the disposal of the Pekin Syndicate, fourteen days in advance of the due date, either in gold or value in some other form sufficient to produce in gold, the sum which the Syndicate may have notified as being necessary to meet the service of the loan.

11. From the monies thus received from the Imperial Chinese Railway Administration, or from the monies paid over by the Chinese Government, the Pekin Syndicate shall duly set aside beforehand the sums necessary for the next service of the loan on the basis of the requirements of the last preceding half-year.

12. The Chinese Government will pay to the Pekin Syndicate, or to the bank charged with the service of the loan, a commission of one-fourth of 1 per cent. on the amount of interest coupons paid,—that is, £25 on each £10,000, and the like commission on all bonds drawn for payment or repaid in anticipation of the due date. The amount of this commission will be taken from surplus earnings of the railway, if there are any, and in case these are insufficient it will then be paid by the Chinese Government.

13. The Chinese Government binds itself to respect and cause to be respected the privileges attaching to the bonds as stipulated for in the present convention, and to maintain the bonds themselves, the interest coupons and operations incident to the service of the loan, free from every tax and impost of whatsoever nature.

14. Coupons not presented for payment within five years from the date when they fall due will be forfeited for the benefit of the Chinese Government. In case of drawn bonds the term within which payment may be claimed is thirty years. In the case of a deceased bondholder the right will pass to his heirs, executors, etc., in conformity with the law of his own nationality.

Payment of the coupons and repayment of bonds will be made whether in time of war or peace, and irrespective of whether the holder belongs to a hostile or friendly State.

If bonds are lost, stolen, or destroyed the Chinese Government, upon

satisfactory proof of the facts of the loss and the title of the claimant, will authorise the Pekin Syndicate to issue fresh bonds to replace those lost, at the expense of the Syndicate.

15. The Chinese Government, through its Representative in London, will take the necessary steps and furnish the necessary documents so as to enable the bonds to be officially quoted on the London Stock Exchange.

16. The price of all land taken up for the railway having been included in the loan, the Syndicate will in the first place hand over the title-deeds to the Imperial Chinese Railway Administration, so that a list may be made which, after being stamped by the Magistrates of the several districts concerned, will be retained for record. The Railway Administration will then return the deeds to the Syndicate for custody, having first impressed on each a stamp indicating that they are not to be sold, pledged, or mortgaged. When the term has expired, or when the loan is fully repaid, the Syndicate will thereupon hand over to the Railway Administration all the original title-deeds, to be held by them as owners of the property. During the continuance of the term the Syndicate shall not assign the deeds to others, whether by way of sale, mortgage, or pledge.

17. This Agreement and the rights under it being made with the Pekin Syndicate, which is of British nationality, the said Syndicate, besides conforming as hereby required with the several articles of the Agreement, shall not either openly or secretly alienate the said rights to persons of another nationality, and shall not substitute persons of another nationality in the management of the railway affairs. A breach of this stipulation will entitle the Imperial Chinese Railway Administration to take the management out of the hands of the Syndicate, and entrust it to another company, and in that case the Syndicate shall have no claim for compensation.

The foregoing places no restriction on the holding of shares in the Pekin Syndicate by persons of another nationality, nor on the holding of bonds of this loan, both of which may be freely bought and sold on the market at the convenience of the holders.

18. In the accounts of this section there has been included an item for preliminary survey expenses, as also the cost of partial surveys of the second section which have already been made by the Syndicate, the result of which will be submitted to the Director-General.

19. All plant and materials necessary for the repair and working of the line will be purchased by the Syndicate as agents, but in placing such order the Syndicate will do their best to get the most favourable terms. A list of articles required shall be submitted to the Director-General for approval before the order is given.

It is understood that articles which China herself can manufacture, if quality and price are the same, are not to be ordered from abroad. The workshops and mines controlled by the Director-General Sheng ought more especially to have the preference in supply of such articles, provided that in quality and price the articles are equivalent to what can be imported from abroad. By price is meant the cost in the foreign country plus freight and insurance. All materials imported from abroad shall be exempt from customs duty, and from likin in transit to the interior.

20. In case of difference of opinion arising between the Pekin Syndicate and the Chinese Government, or the Imperial Chinese Railway Administration, the matter in dispute shall be discussed and settled between a member of the Wai Wu Pu and the British Minister. If these cannot agree the Wai Wu Pu and the British Minister will appoint an Arbitrator, whose decision will be final.

21. This Agreement is executed in duplicate, one copy to be kept by the Imperial Chinese Railway Administration and the other by the Pekin Syndicate. In case of doubt or ambiguity of meaning between the two texts, the English version shall be deemed the standard. This Contract shall be submitted to the Throne by the proper authority, who will request ratification. After ratification the Wai Wu Pu will officially communicate the fact to the British Minister at Peking for record, and so that the Syndicate may conform to the articles hereby agreed upon.

All the above must be done within one month from date of signature.

Signed and sealed at Peking the 3rd July 1905.

Signature and Seal of

SHENG HSUAN-HUAI,

Director-General of Railways.

(Signed) G. JAMIESON, Agent-General,
Pekin Syndicate Ltd.

APPENDIX C.—No. 2.

WORKING AGREEMENT MADE BETWEEN HIS EXCELLENCY SHENG, DIRECTOR - GENERAL OF RAILWAYS, BEING THERETO SPECIALLY AUTHORISED BY THE CHINESE GOVERNMENT, AND G. JAMIESON, C.M.G., AGENT-GENERAL OF THE PEKIN SYNDICATE LIMITED.

1. THE Imperial Chinese Railway Administration, under the authority of the Imperial Government, authorises the Pekin Syndicate, which will appoint a General Manager for the purpose, to manage, administer, and work the Taokow-Chinghua section of railway for profit on behalf of the said Railway Administration. Notice of the appointment of the General Manager shall be communicated beforehand to the Director-General for his information and confirmation.

2. As soon as this section of the line is completed the Pekin Syndicate will report to the Director-General, and after being definitely taken over by him the Pekin Syndicate will take charge of it for working. The section is to be completely provided beforehand with all the rolling-stock necessary for working, as also with a supply of tools, furniture, and funds for working

expenses. The Pekin Syndicate or its delegate, in conformity with the stipulation in Article 1, will organise the service. It will have authority to engage or dismiss officials and servants, and as to their salaries a scale thereof will be drawn up beforehand for submission to the Director-General, and subsequent alterations will also be submitted for his approval. The Syndicate shall also purchase all articles necessary for the maintenance and repair of the line, shall fix rates for goods and passengers in accordance with the railway regulations on other lines, shall receive all the earnings and pay all the working expenses and the expenses of the Imperial Chinese Railway Administration relative to this railway. All the above working details must be submitted beforehand by the Pekin Syndicate or its delegate to the Director-General of Railways, and settled in consultation.

The General Administration shall have the fullest power to examine the details of income and expenditure, and to appoint a Representative, a Cashier, Accountant, and an Interpreter, who will be associated with the European staff, in order to exercise the above-mentioned power of examination. The salaries of the Representative and his associates above-mentioned will be paid from the office of the Tsechow-Taokow Railway.

The Representative shall countersign all vouchers for payment. Accounts will be rendered monthly to the General Administration in English and Chinese, one copy each, and signed by the respective English and Chinese officials.

The General Administration reserves the right to cause the dismissal of any employee, whatever his nationality, including the General Manager, who does not perform his work satisfactorily or is guilty of misconduct, insubordination, or disrespect towards the Chinese authorities, and this should be mentioned in the contracts at the time of engagement of the employee.

All Chinese Employees, whether for repairs of line or otherwise, will be selected by the Representative of the Director-General, who will place them under the executive orders of the General Manager. No Chinese officials or servants can be engaged without the sanction of the Director-General. The expenses of the Shanghai Imperial Railway Administration in respect to this line shall be paid in the same way as for the Luhan Railway. After this section is finished and the working has begun, if additional rolling-stock or plant is required, or if improvement or extensions of the line or stations become necessary, the funds for the same shall be provided by the office of the Tsechow Railway. As regards contracts for the supply of materials necessary for maintaining and repairing the line, means should be devised to place the same at Chinese workshops. It is understood that the mines and workshops controlled by H.E. Sheng shall have the preference on the conditions and at the price at which the articles could be purchased abroad. By price is meant laying down cost in China.

3. In the event of military operations, whether due to foreign war or internal disturbances, the railway will give the preference to Chinese Government troops, stores, or munitions of war over private merchandise in conveyance over the line.

Rates to be charged in such cases shall be one-half of the ordinary rates,

and in such matters the railway will carry out any special instructions given by the Director-General. Articles tending to the injury of the Chinese Government are not to be carried on the line.

In case of famine, stores for relief will be carried at half rates.

Special arrangements will be made in consultation with the Representatives of the Director-General for conveyance of local authorities or members of the Imperial Government travelling on important business over the line. Free passes over the railway shall be countersigned by the Representative of the Director-General.

4. From the net earnings of the line after paying all working expenses the Pekin Syndicate shall retain such sums as are necessary to meet the service of the loan at least three months in advance of the next half-yearly payment. This procedure will be followed until the whole loan is finally redeemed. The sums retained will be paid over monthly to the Pekin Syndicate, or to the bank appointed for that purpose by the Syndicate. The latter will convert the sums so received into gold at the best rate obtainable, in order to be used for the service of the loan. Information as to this will be given from time to time to the Director-General.

When by means of monies thus paid over the service of the loan is assured the Syndicate will set apart 10 per cent. of the surplus, which will be devoted to building up a reserve fund in order to meet the cost of ordinary or extraordinary repairs with a view to assure the working of the line. The surplus of net earnings still remaining will be paid over to the Imperial Chinese Railway Administration. When the loan is all repaid, in accordance with the next following article, the Syndicate or its Representative will hand over to the Representative of the Director-General all the line, fixtures, rolling-stock, and appurtenances, the whole in good working condition.

5. The duration of the present contract is fixed at thirty years from date of signature. If, however, on the expiry of that date the loan is not fully paid off the term of the contract will be necessarily extended, and it will continue until the whole loan is finally redeemed. But if the loan is finally redeemed before the due date the present working contract shall become null and void from the date of such redemption.

6. The Pekin Syndicate, during the term of this contract for the working of the line, shall be entitled to receive from the Imperial Chinese Railway Administration, on making up the yearly accounts, 20 per cent. of the surplus profits of each year. By surplus profits is meant what is left over after providing for payment of interest and redemption of capital.

7. In case of dispute the matter is to be settled as provided for in Article 20 of the principal contract.

8. If the earnings are insufficient to meet working expenses the Imperial Chinese Railway Administration will provide funds so as to enable the regular working of the line to be kept up. The funds thus supplied will be considered as a temporary advance merely, and to be paid as soon as the income exceeds expenditure.

9. All materials and supplies which the Syndicate may require for the working, maintenance and repair of the line shall, if imported from abroad, be exempt from Customs duty and likin.

10. The present contract is drawn up in two copies, one for the Imperial Chinese Railway Administration and the other for the Syndicate.

In case of doubt or difference in interpretation of the contract the English version shall be deemed the standard.

This Contract shall be submitted to the Throne for ratification by the proper authorities, and when the Imperial sanction has been obtained it will be communicated by the Wai Wu Pu in an official despatch to the British Minister. Signed and sealed at Peking the 3rd July 1905.

Signature and Seal of

SHENG HSUAN-HUAI,

Director-General of Railways.

(Signed) G. JAMIESON, Agent-General,
Pekin Syndicate Ltd.

APPENDIX D.

FINAL AGREEMENT BETWEEN SHENG KUNG-PAO, DIRECTOR-GENERAL OF THE IMPERIAL CHINESE RAILWAY ADMINISTRATION, AND THE BRITISH AND CHINESE CORPORATION LIMITED, FOR THE ACQUISITION OF A LOAN FOR THE CONSTRUCTION OF A RAILWAY FROM SHANGHAI TO NANKING :—

THIS Agreement is made the 15th day of the Intercalary month of the 29th year of Kwang-Hsu, corresponding to the 9th day of July 1903, at Shanghai, and the Contracting Parties are:—

The Director-General of the Imperial Railway Administration, Sheng Kung-Pao (to be called hereafter Director-General), acting under authority of an Imperial Decree, of the one part, and Messrs. Jardine, Matheson & Company, and the Hong Kong and Shanghai Banking Corporation, representing as Joint Agents the British and Chinese Corporation Limited (hereinafter called the Corporation), of the other part.

Whereas, on the twenty-third day of the Intercalary third month of the twenty-fourth year of Kwang-Hsu, being the thirteenth day of May 1898, a preliminary Agreement was signed at Shanghai between the Director-General of the Chinese Imperial Railway Administration, Sheng, acting under instructions from the Tsungli Yamen, and the British firm of Jardine, Matheson & Company, for themselves and on behalf of the Hong Kong and Shanghai Banking Corporation, representing as Joint Agents a British Syndicate, and

Whereas, on the 12th day of December 1902, an Imperial Decree was issued in the following terms:—"In view of the important considerations connected with the construction of railways in various parts a Decree has already been issued apportioning the responsibility for the duties connected therewith. Hereafter the accounts of receipts and disbursements are to be prepared by Sheng Hsuan Huai, and communicated by him for the examination of the High Authorities of the provinces through which the railways pass, and subsequently for submission in a joint memorial to the Throne. When a line of railway has been surveyed, before the work may be begun, plans and specifications must be communicated to the High Authorities above-mentioned, who will depute an official to ascertain that there are no objections. Should Sheng Hsuan Huai enter into any agreement with a foreign Syndicate he must before signing such Agreement obtain the assent of the High Provincial Authorities, and a copy of such Agreement must be submitted to the Throne in a joint memorial," and

Whereas, on further consideration it has been found necessary to make certain alterations in the aforesaid preliminary Agreement, now therefore it is

agreed that this final Agreement shall be substituted for the preliminary Agreement above referred to.

Article 1.—The Corporation agrees to issue on behalf of the Railway Administration, a sterling loan (hereinafter referred to as the loan) for an amount not exceeding £3,250,000 sterling, on the terms and conditions hereinafter contained. Imperial Chinese Government bonds are to be issued for the entire sum, similar to the bonds of the Imperial Railways of North China, with the Railway as first mortgage security therefor. The loan shall be issued in two or more parts, and each series is to be in such amount as the Engineer-in-Chief may determine under direction of the Director-General and the Corporation, in accordance with the extent of the work to be undertaken, so as to prevent the Chinese Government from suffering undue loss of interest. The price agreed upon for the loan is 90 per cent. of the nominal value, and any loss or profit in selling these bonds to the public shall be borne by or go to the Corporation. The interest on the bonds shall be at the rate of 5 per cent. per annum on their nominal value, and be payable half-yearly.

The duration of the loan is fixed at fifty years, commencing from the date of the ratification of this Agreement, but no interest will be paid on any bonds which may be redeemed or cancelled under the terms hereinafter mentioned after the redemption or cancellation thereof.

On the face of each of these bonds shall be expressed the value thereof in the sum of £100, or in such different amounts as the Chinese Minister in London in consultation with the Corporation may sanction.

If any of the bonds or net profit certificates hereinafter mentioned are lost or destroyed a reissue of any thereof is to be made in the amounts respectively called for by such lost or destroyed bonds or certificates, but proper proof of the loss or destruction must be given in the usual form to the Corporation and the Chinese Minister in London for examination and record, and the requisite guarantee is to be obtained by the Corporation from the respective claimants concerned.

Article 2.—The proceeds of the loan are to be used in the construction and equipment of the railway, and in paying interest on the loan during the course of construction.

The Corporation shall build and equip as economically as possible in accordance with the best modern system, the line from Shanghai to Nanking, it being hereby agreed that the Chinese Administration shall secure the necessary land for a double line of railway for the whole distance, as well as other facilities for the purposes of the construction and working of the line.

When the line is completed, if there is a surplus from the sale of bonds, the said surplus shall be at the disposal of the Chinese Government for redeeming the bonds, or to be placed through the Director-General in a bank on deposit for the purpose of paying interest on the loan or for developing business beneficial to the Shanghai-Nanking Railway, all to be arranged at the proper time between the Director-General and the Corporation. Should Chinese themselves build branch lines to act as feeders to this railway, it is understood that the system of construction and equipment thereof shall be adopted by such branch lines in order to facilitate through connection.

In all matters relating to the construction and administration of the

railway by the officials of the British and Chinese Corporation it is expressly agreed that particular heed shall be paid to the opinions, habits, and ideas of the Chinese people, and that when practicable Chinese shall be employed as far as possible by the Board of Commissioners in positions of trust and responsibility in connection with the railway.

In regard to the earthwork or such other work as Chinese are competent to perform, contracts shall be entered into for such work with Chinese under the sanction of the Director-General or his deputy, said work itself to be in accordance with plans and specifications of the Engineer-in-Chief, and under his supervision.

In the further and final survey detailed plans and estimates of cost, whether of the respective sections of the main line or of any extensions, branches, or alterations of the same, are to be submitted to the Board of Commissioners for the approval of the Director-General.

Article 3.—The loan shall be secured by mortgage now entered into in equity, and shall as soon as possible hereafter be secured by a specific and legal first mortgage in favour of the Corporation upon the railway now completed between Woosung and Shanghai, and also on all lands, materials, rolling-stock, buildings, property, and premises of every description purchased or to be purchased by the railways herein referred to, and on the last-mentioned railways themselves as and when constructed, and on the revenue of all descriptions derivable therefrom.

The provisions of this Article in respect of the mortgage are to be construed and treated as of the same purport and effect as a mortgage customarily executed and delivered in England to a trustee for the purpose of securing loans and bond issues upon railway properties.

Article 4.—According to Article I of this Agreement it is provided that the loan is to be paid in instalments from time to time as the work proceeds. It is hereby agreed that within eight months after this Agreement is officially signed and ratified the Corporation shall pay the first instalment to meet the requirements for the work, whether the proceeds come from the sale or hypothecation of the bonds or from advances made, provided the appropriate series of bonds for the required instalment of such loan shall have been executed and delivered. If after the expiration of twelve months from the date of the ratification hereof the work of construction shall not have been begun on the main line, this Agreement is to become null and void.

Of the proceeds realised from the sale of the bonds, after deducting so much of them as may be required to be kept in England for the purchase of materials and payments of contracts there, such amounts as may be estimated and certified to by the Engineer-in-Chief to the Board of Commissioners hereafter mentioned as being actually required for the construction of any particular section of the main line shall be ordered by the Board of Commissioners after consideration to be transferred to Shanghai to be kept in the Hongkong and Shanghai Bank, or such bank or banks as may be mutually agreed upon, and placed to the credit of the construction account of the Railway Administration for the exclusive purpose of building such section or sections of the railway herein provided for under the supervision of the Board of Commissioners.

On each occasion of a remittance being made to China the amount realised in sycee will be reported to the Director-General, and any portion which may not be required shall be placed at interest. Similarly the balance in England shall be placed at interest.

The accounts of the money spent from time to time in England, and of the money transferred to the credit of the construction and other accounts for use in China, are to be submitted quarterly to the Board of Commissioners for examination and for report to the Director-General for the information of the Wai-Wu-Pu, and for his further report to the Board of Revenue and the Bureau of Mines for record therein, after such accounts have been approved and signed by him.

Article 5.—The dates of the bonds mentioned in Article 1, and of the certificates mentioned in Article 12 of this Agreement, shall be of even date with this Agreement. Interest shall begin to run upon the bonds only from the date of their respective sales and deliveries to the public, and due adjustment of such interest will then be made with respective purchasers for any fractional period of time thereafter covered by the coupon next maturing. For the purpose of such adjustment the then current interest may be reckoned from the nearest first or fifteenth day of the month in which the sale and delivery occur as the case may be.

Coupons which have theretofore matured are to be cancelled and delivered to the Chinese Minister in London for transmission to the Railway Administration.

As to the form of bond, it is to be agreed upon by the Director-General or by the Chinese Minister in London and the British and Chinese Corporation at the same time as this Agreement is signed, but if hereafter the money markets in London or other countries require the modification of the form of the bond, except in anything that affects the amount of the loan, the rate of interest, the period of the loan, and the liability of the Chinese Government, which are not to be touched at all, such slight modifications may be made to meet the views of the money markets by the Corporation in consultation with the Chinese Minister in London.

Any modifications are to be reported at once by the Corporation to the Director-General for the approval of the Wai-Wu-Pu.

The bonds and the net profit certificates referred to in Article 12 are to be engraved entirely in the English language, and shall bear the fac-simile of the signature of the Director-General and of his seal of office, in order to dispense with the necessity of signing them all in person. But the Chinese Minister in London is to sign each of the bonds and certificates and put his seal thereon as required, as a proof that the issue and sale of these bonds as well as the certificates are duly authorised and binding upon the Chinese Government.

Such bonds or net profit certificates are to be numbered consecutively, and as many bonds or certificates as may be needed are to be properly engraved under the supervision of the Corporation.

The loan bonds herein referred to, as soon as they are engraved and signed and sealed by the Chinese Minister in London as hereinbefore provided, are to be countersigned by the Corporation,

The Chinese Minister in London and the Corporation are to agree upon the selection of a proper safe deposit in London to keep these bonds, subject to the needs and requirements of the Corporation, so as to enable it during the progress of the construction to sell these bonds after having been signed and sealed by the Chinese Minister in London in separate lots from time to time, or hypothecate the same in order to raise money to pay for the construction of the railway or any of the branch lines as may have been approved by the Director-General.

When the second and subsequent issues are about to be made, if the Corporation receives sufficient notice from the Director-General that subjects of China wish to take up a portion of the issue, the necessary amount of bonds will be set aside for Chinese subscribers, to whom the bonds will be sold at the same price and on the same conditions as those sold to the public in London. If possible, arrangements will be made for issuing these bonds, and paying the interest thereon, in China, at the current rate of the day.

The amount of the loan is fixed at £3,250,000 for the purpose of constructing and equipping the main line of the Shanghai-Nanking Railway, in accordance with the survey and estimates of the Engineer-in-Chief as approved by the Director-General.

The first issue of bonds shall be made in London in such amount as may seem necessary for the work to be undertaken, but before the second or subsequent issues are made the Corporation shall give sufficient notice to the Chinese Minister in London, in order that if the Chinese Government has funds at its disposal at the time it may place such funds to the credit of the construction account of the Chinese Railway Administration, to be used in the same manner as the proceeds of the loan, and in that event the total amount of the loan of £3,250,000 shall be reduced by the amount thus supplied by the Chinese Government.

It is also agreed that the moderate charge for the safe deposit of the bonds is to be paid from the general accounts of the railway. Beyond this all expense for the engraving and the sale of the bonds and such like are to be borne by the Corporation. On withdrawal or deliveries of bonds the Safe Deposit Company shall notify the Chinese Minister in London.

Article 6.—When the work of construction is ready to begin the Director-General shall appoint a Board for surveying the construction and operation of the railway, to be called the Board of Commissioners, whose head office shall be at Shanghai. The members thereof shall be five, of whom two are to be Chinese,—one to be appointed by the Director-General and one by the Director-General in consultation with the High Authorities of the province through which the line passes; and besides the Engineer-in-Chief there shall be two British members selected and appointed by the Corporation. The salaries of these five members are to be fixed by the Director-General and the Corporation, and to be paid from the general accounts of the railway. The regulations for the guidance of the Board of Commissioners shall be subsequently drawn up by the Director-General in consultation with the Agent of the British and Chinese Corporation. In case of disagreement between the Chinese and British members the matter shall be referred to the Director-

General and the Agent of the Corporation resident in China for adjustment in an amicable way.

The appointments and functions of all the employees of the railway, Chinese and foreigners, with the exception of the Engineer-in-Chief, who shall be nominated by the Corporation and approved by the Director-General, as well as their salaries, including those of the officials of high rank referred to in the following paragraphs, are to be made and fixed by the Board of Commissioners and reported to the Director-General. In the case of important appointments the same shall be first reported to the Director-General by the Chinese members of the Board.

In addition to the Board of Commissioners, the Viceroy (the Superintendent of Southern Trade) may also appoint an official of equal rank with the above-mentioned two Chinese officials, whose duty will be to make report for the information of the High Provincial Authorities on the state of the railway accounts, the progress of the work, and the management of the railway. To this end he will be granted every facility by the Board of Commissioners, who will always give him access to the records of the head office at Shanghai. But this official shall not in any way interfere with the Board in the performance of its duties. The salary of this officer shall be the same as that of the two Chinese members of the Board, and be paid out of the railway account.

The functions of the Engineer-in-Chief, who will at all times give courteous consideration to the wishes of the High Provincial Authorities and the Director-General, shall be limited to the construction and operation of the line and the management of affairs connected with the railway. No foreigners employed in the railway shall be allowed to treat Chinese officials with disrespect, or interfere in local affairs, or usurp the authority of local officials; and should any such be guilty of riotous conduct, or of wounding and maiming Chinese, the same shall be dismissed on complaint being made by the Director-General.

As the progress of construction reaches any particular province the appointment, under the Imperial sanction, of a Chinese official of high rank shall be made in such province by the Director-General, for facilitating the settlement of any local matter with the Provincial Government concerned.

For the service of the railway any Chinese of official rank and competent for the work may be recommended by the Board of Commissioners to the Director-General for employment, under the formality of a letter of appointment.

For the important offices of the railway foreigners of ability and experience shall be employed. In the engineering and traffic departments competent Chinese may also be employed, and all employees, whether Chinese or foreigners, if incompetent in their work or unsatisfactory in their behaviour, may be dismissed at any time by the Board of Commissioners, and the dismissal shall be reported to the Director-General. The Chinese and British members of the Board when ill or absent may be represented at the Board by available substitutes. In the case of the Chinese members the substitutes must be approved by the Director-General, and in case of the British members by the Corporation.

When deemed necessary a school for the education of Chinese in the

construction and working of railways shall be undertaken by the Board of Commissioners, subject to report to and approval by the Director-General.

The accounts of the receipts and disbursements of the railway are to be kept by a Chief Accountant, whose records and books are at all times open to the inspection and examination of the Board of Commissioners. All the accounts of the railway construction and operation are to be kept in Shanghai currency in the English and Chinese languages, with the combined signature of a Chinese and British official. The staff of the Chief Accountant's department shall be composed of Chinese and foreigners, who must be satisfactory and reliable men.

Article 7.—Under the provisions of Article 3 of this Agreement the properties covered by the first mortgage security hereby created include the railways, its property and equipment, said mortgage to be executed by a deed in the usual form as contemplated by the said Article. But subject to the guarantee and mortgage thus given by the Chinese Government, it is hereby declared that this railway is in fact a Chinese property.

All the lands that may be required for a double line of railway from Shanghai to Nanking, and for the double track-sidings, stations, repairing shops, and car-sheds to be provided for in accordance with the detailed plans now made or hereafter to be made by the Engineer-in-Chief, and approved by the Director-General, shall be acquired by the Railway Administration, whether in whole or in part, according to the means at its disposal at the actual cost price of the land. The cost of such land is not to exceed £150,000.

The titles to the land for the line and of all other lands shall be free from all encumbrances or entanglements, and shall from time to time as soon as secured be registered in the name of the railway.

For such money as may be provided by the Railway Administration for the purchase of land there shall be allowed yearly interest at the rate of 6 per cent., to be paid by the railway after the fixed charges and maintenance and interest of 5 per cent. on the bonds shall have been met.

Notices of such purchases (together with corresponding title-deeds) are to be transmitted by the Railway Administration under the direction of the Director-General to the local agent of the Corporation for record and preservation in its office in Shanghai, and for the purpose of establishing the first mortgage security (and thereafter for the return to the Railway Administration) as hereinafter in this Article provided in respect of railway lands and properties. When the term of this Agreement expires all the title-deeds shall be surrendered and returned to the Railway Administration.

The amount to be advanced to the Chinese Railway Administration for any land within the survey limits shall altogether not exceed the sum of £150,000, for which yearly interest at the rate of 6 per cent. shall be allowed from the receipts of the railway. It is understood that any land bought by the Chinese Railway Administration with their own money outside of the survey limits, but needed for future requirements, shall be on the Chinese Administration's own account, and no interest shall be allowed on the price thereof.

It is further agreed that if the British and Chinese Corporation is called upon to provide means for the acquisition of the lands, whether by the sale of bonds or by advances from other sources, the Chinese Government guaran-

tees to procure and protect all the lands that are required for the line of railway.

All lands the title-deeds of which are lodged with the Corporation as part of the first mortgage security of the loan shall not be disposed of in any way by hire, lease, or sale to any party for any purpose whatever without the written consent of the Chinese Administration.

It is also agreed that the lands thus bought, whether from Chinese or British advances, shall be free from all entanglements arising from the removal of graves or from prejudices of "fengshui," and shall be conveyed by full and sufficient deeds of assignment according to Chinese law, all of which are to be kept and recorded in the Shanghai office of the British and Chinese Corporation, and to be held by it as a first mortgage security for the bonds under the provisions of this Agreement until such time as principal and interest of the bonds, together with all indebtedness, shall have been paid off, when the same shall then be returned to the Chinese Railway Administration.

For the proper protection of the first mortgage security the Chinese Government undertakes that until the bonds shall have been redeemed, and the net profits on the net profit certificates shall have been paid, no part of the lands comprised in the mortgage security or the railway with its appurtenances shall be transferred or given to another party, or shall be injured, or that the rights of the first mortgage shall be in any way impaired.

It is likewise agreed that until the interest and principal of the loan and all indebtedness shall have been paid off, or unless with the express consent in writing of the Corporation, the Chinese Government or the Chinese Railway Administration shall not again mortgage the above properties to another party, whether Chinese or foreign.

During the period of this agreement no special taxes shall be levied by the Chinese Government on the railway, its appurtenances or earnings, but all taxes at present payable, such as land tax, as well as any taxes which the Chinese Government may hereafter institute, such as stamp duty, etc., and which may be applicable generally to all commercial transactions in China, shall also apply in the case of the railway and its operations.

The first expense in railway construction being the purchase of land, it is agreed that as soon as the survey is made the Corporation shall advance to the Railway Administration sums as required to pay for the land purchased. For such advances the Woosung Railway, with all its property, shall be given as first mortgage security, and interest at the rate of 6 per cent. per annum shall be allowed until the first portion of the loan has been floated, when such advances shall be repaid from the first proceeds of the loan.

As owing to the unwillingness of owners to sever their land it may become necessary for the Railway Administration to acquire more land than is actually necessary for railway purposes, the Railway Administration may do so in view of future requirements, but it is understood that any land bought from funds so advanced, out of the survey limits, shall be on the Chinese Administration's own account. When the purchase of all the land is completed, and the total amount thus expended is ascertained, an additional issue of bonds for an amount not exceeding £250,000, including

the £150,000 referred to in this Article, shall be made in order to repay the sums spent in the purchase of land.

Such bonds shall be similar to the bonds mentioned in Article 1 of this Agreement, and shall have the same guarantee and same mortgage security and same treatment, with however this difference, that they shall be redeemable at par at any time on giving six months' notice, and that the rate of interest shall be 6 per cent. per annum. The interest on such portions of this loan as is applied to the purchase of land outside of the Engineer-in-Chief's survey shall in the first place be paid out of the Chinese share of the net profits of the railway, and failing this then out of the earnings of the railway.

As the object which the Railway Administration has in view is that all railway lands should be Chinese property, the additional loan of £250,000 shall be paid off as soon as practicable. Nevertheless, although such bonds may be redeemed, the land occupied by the railway within the survey limits shall continue as mortgage security under the terms of this Agreement.

Article 8.—It is agreed that if the half-yearly interest of the bonds is not paid on any due date thereof, or if the principal of the loan remains unpaid at maturity of the same, the whole railway with all its appurtenances herein mortgaged to the British and Chinese Corporation for the bond-holders shall be handed over to the Corporation to be dealt with by it according to law, in such manner as will ensure the proper protection of the interests of the bondholders. When the whole loan and the interest due thereon and all indebtedness shall have been paid off, the railway, with all its appurtenances, in good working condition shall revert to the possession and management of the Chinese, according to the provisions of this Agreement.

Article 9.—As remuneration for superintendence and services the Corporation shall receive 5 per cent. on the entire cost of all materials purchased for the railway.

It is agreed that all materials required for the railway shall be purchased in the open market at the lowest price obtainable, but it is understood that all such materials shall be of good and satisfactory quality. Invoice and inspector's certificates are to be submitted to the Chinese Administration.

With a view to encouraging Chinese industries Chinese materials are to be preferred, as also the products of the Han-yang Iron Works, provided price and quality are suitable.

No commission will be allowed to the Corporation on the purchase of materials except as herein provided. All trade discounts or rebates, if any, are to go to the construction account.

Article 10.—In the construction of the line, in the working of the railway, and in the performance of the different kinds of business connected with the railway, no interference or obstruction by Chinese or foreigners will be permitted. The Chinese Government will provide protection for the line while in construction or when in operation, and all the properties of the railway, the combined enterprise of the Chinese Administration and British and Chinese Corporation, as well as all foreigners and Chinese employed therein, are to enjoy the utmost protection from the local officials, civil and

military, in the provinces through which the railway passes, particularly on occasions of local disturbance or of obstruction by natives.

The Board of Commissioners are authorised to maintain a railway police of Chinese with Chinese officers for the protection of the line. Their wages and maintenance are to be wholly defrayed by the railway. In the event of the railway requiring further protection by the military forces of the Imperial or Provincial Government the same will be duly applied for by the Director-General and promptly afforded, it being understood that such military forces, although transported free by the railway, are to be maintained at the expense of the Government or the Province, as the case may be.

The railway police may not interfere with matters outside the railway.

Article 11.—In connection with the railway there shall be established and maintained a proper signalling service, which shall include such telephone and telegraph conveniences as may be found necessary to use along the line of the railway and its branches for the exclusive purpose of regulating the movement of trains and other incidental business of the railway, and such telephones and telegraphs shall not be used in or interfere with the rights and privileges of the Telegraph Administration.

It is further agreed that the Corporation may, in consultation with the Director-General, also establish and maintain in connection with such railway or its branches such other necessary adjuncts of modern railway operation as it may find expedient for the support of the railway, such as repair and manufacturing shops, docks, steamers, ferries, storage warehouses, etc.

Article 12.—It is agreed that after deducting from the income of the railway the working and other expenses as described below, the Corporation shall receive 20 per cent. of the net profits, to be represented by and in form of certificates to an amount equal to one-fifth of the cost of the line. These certificates carrying no interest, they are to have a term of fifty years and a declared face value of £100 each, and are to be issued to the Corporation at the same time as the loan bonds, and in amount proportionate to the respective series of such bonds to the amount of one-fifth of the aggregate thereof. And it is understood that if there is an issue of the loan bonds in excess of the requirements of the railway, and such excess is retired or cancelled, a like proportion of these certificates shall likewise be subject to retirement.

Before the expiration of the term of fifty years the Chinese Administration shall have the right at any time to redeem these certificates at their face value. After the expiration of fifty years the certificates shall be null and void and need not be redeemed, but if any net profits shall have accrued on such certificates prior to their redemption or maturity, said accrued net profits must be paid before the same are cancelled.

The Chinese Railway Administration is entitled to issue and receive like net profit certificates (to be in form appropriate for use in China and unlimited in their term, as also without redemption features) to an amount equal to the remaining four-fifths of the loan. These Chinese certificates may be issued in whole or in part whenever desired by the Director-General, but the net profits will be retained and used by the Railway Administration for the purpose of accumulating a fund to be derived from such share of net

profits as may accrue thereon wherewith to pay off any loan bonds which may from time to time be redeemed under the provisions of this Agreement, or for generally reducing or ultimately discharging railway loan obligations whenever or wherever desirable by means of the profits of the railway. But such Chinese certificates may, however, be used in part by the Railway Administration if necessary in payment of lands which are essential to the railway, and which cannot otherwise be conveniently acquired by it.

The yearly income of the railway shall be subject to a deduction of all working expenses, cost of maintaining and repairing the railway, renovating or replenishment of engines and rolling-stock, and all expenditure connected with the business of the railway, and subject to the payment of interest on the bonds at 5 per cent. per annum (and of interest of 6 per cent. per annum on the cost of the land provided by the Chinese Administration, or provided by an advance from the British and Chinese Corporation), whatever is left of the gross income is considered to be net profits, of which one-fifth is to be given to the Corporation for disposal as it may see fit. If the loan bonds shall have been all redeemed according to the provisions of this Agreement before the net profit certificates issued to the Corporation have been redeemed, or shall have lapsed by effluxion of time, the Corporation shall be permitted to have a representative in the railway office (whose salary is to be paid by the Railway Administration) to inspect the accounts of the railway.

The duties of this officer are those of an Accountant who is to protect the interests of the foreign holders of net profit certificates until such time as these certificates shall have all been redeemed or lapsed by effluxion of time, when the services of such Accountant shall be dispensed with.

Article 13.—The British and Chinese Corporation are hereby appointed trustees for the bondholders and holders of net profit certificates, and in any future negotiations respecting these loans or matters arising in connection therewith, which may take place between the Railway Administration and the Corporation, the latter Corporation shall be taken as representing the bondholders and holders of net profit certificates, and as empowered to act on their behalf.

Article 14.—All materials of any kind that are required for the construction of the main line or branch lines; whether imported from abroad or from the provinces to the scene of the work, shall (following the precedent of the Northern Railway) be exempted from Customs duty and likin. The bonds of this loan together with their coupons, the net profit certificates and the income of the railway, shall be free from imposts of any kind by the Government of China.

As to the likin for goods or passengers which may be transported over the lines from, to, or through the different provinces, the Director-General will confer with the Government Bureau of Mines and Railways and the Board of Revenue with a view to devising means to protect the traffic of the railway, and those who may use the railway for the transport of their goods, from illegal impositions and other abuses.

If the arrangements for the levy of likin over other railway lines is found to be more advantageous than that of the railways mentioned in this

Agreement, the same advantages shall be extended to and enjoyed by the Shanghai-Nanking Railway, and by those who make use of the same.

Article 15.—It is agreed that during the time of the construction of the line the yearly 5 per cent. interest on the bonds and 6 per cent. interest on the amount spent in the purchase of the land are to be paid from the proceeds of the loan. The accruing interest from any proceeds of the loan not used during the period of construction, and the earnings from the working of any sections as they are built, are to be used to make up the amount required for the payment of the said interest, and if any deficiency remains it is to be met from the proceeds of the loan.

When the construction of the line is wholly completed the interest on the bonds and on moneys spent in purchasing the land are to be paid from the earnings of the line every half-year on the first day of June and first day of December.

It is hereby agreed that the amount required for the payment of interest and repayment of principal, together with a sum of one-quarter of 1 per cent. on such amounts to cover commission to the Hongkong and Shanghai Banking Corporation, who are hereby appointed agents for the service of repaying the loan, shall be paid to them in Shanghai fourteen days before the due dates, in Shanghai sycee sufficient to meet such payments in sterling in London, exchange for which shall be settled with the Hongkong and Shanghai Banking Corporation on the said date of payment at the rate fixed at the time of settlement.

The Chinese Government undertakes and hereby promises to pay the principal of the loans and the interest on the loans on the due dates fixed therefor. If at any time the earnings of the railway and proceeds of the loan are not sufficient to pay the interest of the bonds, the Railway Administration is to devise means for supplying the deficiency; and should its inability to do so appear probable the Director-General will memorialise the Government to take measures to make up the deficiency from other sources, and thus be ready to pay off the indebtedness, so that the required amount may be placed in each case at least fourteen days previous to the due date of such interest in the hands of the Hongkong and Shanghai Banking Corporation in Shanghai.

Article 16.—In places along the line of railway where the Hongkong and Shanghai Banking Corporation has no agencies, and where it does not intend to establish any agencies, business relations are to be cultivated with the Chinese Imperial Bank and its local agencies, it being the intention of the British and Chinese Corporation to utilise the Imperial bank as much as practicable for facilitating the movement of funds.

Article 17.—The Corporation may, subject to all its obligations, transfer or delegate all or any of its rights, powers, and discretions to their successors or assigns, but the Corporation, which is a Corporation formed under English law, shall not transfer its rights under this Agreement or the management of the railway to other nations or people of any nationality except British or Chinese. Similarly the Railway Administration shall not transfer any of its rights under this Agreement to persons of other nationality.

It is further agreed that without the express consent in writing of the

Director-General and the British and Chinese Corporation no other rival railway detrimental to the business of the same is to be permitted, and no parallel line to the Shanghai-Nanking Railway is to be allowed to the injury of the latter's interest within the area served by the Shanghai-Nanking main line or branch lines.

Article 18.—If on account of contingencies beyond the control of the Corporation, such as war or very great political changes in China or elsewhere, occurring before the publication of the prospectus of the issue of an important series of bonds of the loan hereby concerned, the foreign money markets are affected, or the construction of the railway is so obstructed that work cannot be carried on, the Corporation will be allowed a reasonable extension of time for floating such loan or the bond issues thereof, or for the commencement or completion of the construction of the railway. But if bonds have already been issued and interest already become payable thereon, then the work cannot be suspended or postponed unless subject to the exceptions mentioned in the preceding paragraphs.

When the Agreement has been ratified the work shall be begun as soon as possible, and if the Chinese Railway Administration desire, each section will be pushed on as rapidly as practicable. From the date of ratification a limit of five years shall be allowed for the completion of the whole line, subject to the preceding exceptions mentioned in this Article; and if this period is exceeded, unless with the consent of the Chinese Administration, the Corporation shall forfeit its one-fifth share of net profits already earned during the previous five years, and shall not begin to participate in such net profits until the line has been completed.

Article 19.—In the working of the railway the tariff for fares and freights is to be prepared by the General Traffic Manager, and submitted to the Board of Commissioners, who shall, after due consideration of existing tariffs of other railways in China, approve an economical rate.

The General Traffic Manager is likewise authorised to make arrangements, subject to the approval of the Board of Commissioners, with connecting railways of other companies for through rates of fare and freight.

In case of military operations, whether on account of foreign war or internal insurrection, the movement of troops, ammunition, and stores by the Chinese Government, and in case of famine or other great calamity the despatch of relief, shall, on the requisition of the Director-General, have preference over the line at half of the tariff rates.

Nothing to the injury of China shall be allowed to be carried over the line, neither shall the line be used to the detriment of China.

Article 20.—In the Preliminary Agreement, dated 13 May 1898 (23rd day of intercalary 3rd Month of the 24th Year of Kwang-Hsu), it is stipulated that the Railway Administration has the right to redeem the loan at $102\frac{1}{2}$ after twelve and a half years, and at par after twenty-five years. It is now agreed that if at any time after the lapse of twelve and a half years from the date of the issue of the bonds the Chinese Railway Administration receives instructions from the Chinese Government to cancel any of the bonds or any of the net profit certificates, the Director-General shall, not less than six months previous to the proposed redemption, notify in writing the Agent of the Corporation in

Shanghai declaring the number of bonds or the number of net profit certificates so required to be redeemed and cancelled.

The Agent of the Corporation shall immediately on the receipt of such notice in writing proceed to make arrangements for the desired redemption by drawing lots, and taking other proper steps in the way customary in London, of the number of bonds or net profit certificates in such quantity as may be required. And as soon as the Railway Administration, under instructions from the Chinese Government, shall remit the proper amount according to the redemption price of the bonds or the redemption price of the net profit certificates, together with the interest due on the bonds, or the net profits due on the certificates, a notice shall be published in two of the most prominent papers in London, and in such other financial centres as may be agreed upon with the Chinese Minister for four weeks. At the expiration of the four weeks, and on the day fixed for the redemption, the Corporation shall cause the usual lots to be drawn for the redemption of the bonds or certificates, and shall pay over the respective prices of the same to their respective holders, and shall thus redeem the bonds or net profit certificates and cancel them, and thereupon the same are to be delivered to the Director-General, or the Chinese Minister in London, for return to the Director-General.

All the loan bonds and the net profit certificates shall express that they are redeemable at any time on the conditions mentioned in the preceding paragraph, and shall state that the payment of any interest for the bonds, and the participation of any of the net profits by the certificates so drawn by lot, entirely cease from the date mentioned by the published notice of the Corporation. The amount required for the redemption shall, however, have to be got ready and placed in the hands of the Hong Kong and Shanghai Banking Corporation before such redemption is carried out.

The loan bonds, if redeemed before twenty-five years from the date they were originally issued, shall be paid for with a premium of $2\frac{1}{2}$ per cent. over their face value (*i.e.* £102, 10s. will be required to pay £100), but after twenty-five years from the date of issue to the expiry of the term of the loan the bonds may be redeemed without payment of any premium. If any interest is still due on any of the bonds at the time of redemption, such interest shall have thereupon to be paid in full. As to the net profit certificates, if they are redeemed within the term of their duration they are to be paid for according to their face value, and if such certificates run to the end of their term they become null and void and no price need be paid on them, nor need they be redeemed, but any net profits still due on them shall have to be fully paid up according to their amounts before the same are cancelled.

Article 21.—If any proceeds of the sale of bonds are lying unused and bearing interest on their deposit whilst the construction of the railway is going on, such interest is to go to the general account of the Chinese Railway Administration, in order that the Railway Administration may enjoy the full advantage thereof.

It is also agreed that if the Corporation shall find it necessary, before the sale of any of the bonds, to advance any money for the work, the expense of effecting such advances, together with the interest thereon, not exceeding a charge of 6 per cent. per annum, shall be deducted from the interest derived

from the above-mentioned unused proceeds of the sale of the bonds, or otherwise to be provided for in the construction accounts. It is further agreed that the proceeds of the first sale of the bonds immediately following any such advance shall be used to pay off the said advances, so as to save the cost of the aforesaid charge.

Article 22.—If any of the bonds still remain unredeemed, when the fifty years of the term of the loan are about to expire, the Director-General will, within two years preceding the expiry of the said term, negotiate by writing with the Corporation for an extension of the term of the loan; and if six months shall have expired after such negotiations in writing and no definite arrangements shall have been come to, the Chinese Government shall be at liberty to take steps to devise means for procuring elsewhere funds to pay off the loan, and to redeem the bonds and cancel the mortgage.

Article 23.—The existing Woosung-Shanghai line (as soon as the price agreed upon is ready to be handed over to the Railway Administration) shall be taken over as part of the Shanghai-Nanking system, and the earnings and administration of this section shall be treated in like manner as the Shanghai-Nanking line. The price of the Shanghai-Woosung line shall be taken as Tls. 1,000,000, and this amount shall be paid to the Chinese Railway Administration out of the proceeds of the loan.

Article 24.—Immediately after the signature of this Agreement, and before the issue of any prospectus of the loan to the public, the Director-General shall memorialise the Throne and obtain an Imperial Edict confirming and sanctioning the provisions of this Agreement. The Imperial Edict so received shall then be officially communicated without delay to the British Minister in Peking by the Wai-Wu-Pu.

Article 25.—This Agreement is executed in quintuplicate in English and Chinese, one copy to be retained by the Railway Administration, one by the Wai-Wu-Pu, one by the Bureau of Railways and Mines at Peking, one by the British Minister in Peking, and one by the Corporation, and should any doubt arise as to the interpretation of the Agreement the English text shall be accepted as the standard.

Signed at Shanghai by the Contracting Parties this fifteenth day of the intercalary fifth month of the twenty-ninth year of the Emperor Kwang-Hsu, being the ninth day of July nineteen hundred and three of the Western Calendar.

APPENDIX E.—No. 1.

AGREEMENT BETWEEN CHINA AND GERMANY IN REGARD TO THE RAILWAY AND MINING CONCESSION IN SHANTUNG.

I. THE Chinese Government sanctions the construction by Germany of two lines of railway in Shantung. The first will run from Kiaochow and Tsinan-fu to the boundary of Shantung province via Wei-hsien, Tsinchow, Pashan, Tsechuen, and Suiping. The second line will connect Kiaochow with Chinchow whence an extension will be constructed to Tsinan through Laiwu-hsien. The construction of this extension shall not be begun until the first part of the line, the main line, is completed, in order to give the Chinese an opportunity of connecting this line in the most advantageous manner with their own railway system. What places the line from Tsinan-fu to the provincial boundary shall take in *en route* is to be determined hereafter.

II. In order to carry out the above-mentioned railway work a Chino-German Company shall be formed, with branches at whatever places may be necessary, and in this company both German and Chinese subjects shall be at liberty to invest money if they so choose, and appoint directors for the management of the undertaking.

III. All arrangements in connection with the works specified shall be determined by a future conference of German and Chinese representatives. The Chinese Government shall afford every facility and protection and extend every welcome to representatives of the German Railway Company operating in Chinese territory. Profits derived from the working of these railways shall be justly divided pro rata between the shareholders without regard to nationality. The object of constructing these lines is solely the development of commerce. In inaugurating a railway system in Shantung, Germany entertains no treacherous intention towards China, and undertakes not to unlawfully seize any land in the province.

IV. The Chinese Government shall allow German subjects to hold and develop mining property for a distance of thirty li from each side of these railways, and along the whole extent of the lines. The following places where mining operations may be carried on are particularly specified along the northern railway from Kiaochow to Tsinan, Weihsien, Pa-shan-hsien and various other points; and along the Southern Kiaochow-Tsinan-Chinchow line, Chinchow-fu, Laiwuhsien, etc. Chinese capital may be invested in these operations, and arrangements for carrying on the work shall hereafter be made by a joint conference of Chinese and German representatives. All German subjects engaged in such works in Chinese territory shall be properly protected and welcomed by the Chinese authorities, and all profits derived shall be fairly

divided between Chinese and German shareholders according to the extent of the interest they hold in the undertakings. In trying to develop mining property in China, Germany is actuated by no treacherous motives against this country, but seeks alone to increase commerce and improve the relations between the two countries.

If at any time the Chinese should form schemes for the development of Shantung, for the execution of which it is necessary to obtain foreign capital, the Chinese Government, or whatever Chinese may be interested in such schemes, shall, in the first instance, apply to German capitalists. Application shall also be made to German manufacturers for the necessary machinery and materials before the manufacturers of any other Power are approached. Should German capitalists or manufacturers decline to take up the business, the Chinese shall then be at liberty to obtain money and materials from sources of other nationality than German.

This convention requires the sanction of His Majesty the Emperor of China and His Majesty the Emperor of Germany. When the sanction of His Majesty the Emperor of China reaches Berlin the Agreement approved by His Majesty the Emperor of Germany shall be handed to the Chinese Ambassador. When the final draft is agreed to by both parties four clean copies of it shall be made, two in Chinese and two in German, which shall be duly signed by the Chinese and German Minister at Berlin and Peking. Each Power shall retain one Chinese copy and one German copy, and the Agreement shall be faithfully observed on either side.

Dated the fourteenth day of the second moon of the twenty-fourth year of Kuang-Hsu (6th March 1898).

APPENDIX E.—No. 2.

TIENTSIN-CHINKIANG (NOW NANKING) RAILWAY: PRELIMINARY AGREEMENT.

THIS Preliminary Agreement relating to the construction of railways between Tientsin and Chinkiang, is made between their Excellencies Hsu and Chang; duly authorised to act on behalf of the Imperial Government of China, hereinafter called "the Imperial Directors" of the one part; and (a) the Deutsche-Asiatische Bank; (b) the Hong Kong and Shanghai Banking Corporation for themselves and on behalf of Messrs. Jardine, Matheson & Co., as joint agents for the British and Chinese Corporation Limited, hereinafter called "the Syndicate" of the other part.

1. The Imperial Government of China authorises the Syndicate to issue an Imperial Government 5 per cent. gold loan for an amount of about £7,400,000, this amount being subject to modification later after the completion of survey.

2. The loan is designed to provide the capital for the construction of Government railway lines from a point at or near Tientsin, through Titchow

and Tsianfu to Thsien near the southern frontier of Shantung, hereinafter known as the northern part of the Tientsin-Chinkiang Railway lines, and from Thsien to Kuachao (Chinkiang) on the Yangtze Kiang, hereinafter known as the southern part of the Tientsin-Chinkiang Railway lines, the total length of these lines being about 982 kilom., equal to about 1800 Chinese li.

3. The capital so provided will include the funds required for rolling-stock and other equipment, and for working the lines, together with interest on the loan during the period of construction, which is estimated to occupy about five years from the date of the loan, but which will finally be fixed after survey.

4. The rate of interest for the loan shall be 5 per cent. per annum on the nominal principal, and shall be paid during the time to be fixed for the construction out of the proceeds of the loan, and afterwards out of the revenue of the lines named, in half-yearly instalments, according to the amounts and dates of a schedule which will be attached to the Final Agreement.

5. The term of the loan shall be fifty years. Repayment of principal shall commence in the eleventh year from the date of the loan, and shall be made by a yearly sinking fund in shares to be determined in the Final Agreement to the Deutsche-Asiatische Bank, and the Hong Kong and Shanghai Banking Corporation in yearly instalments out of the revenue of the lines according to the amounts and dates of the schedule to be attached to the Final Agreement.

6. In the event of the Imperial Government of China wishing to redeem, after the lapse of thirty years from the date of the loan, the outstanding amount of the loan, or any portion of it not yet due, from funds *bona fide* belonging to the Chinese Government or subscribed by Chinese merchants, the conditions for such redemption must first be arranged with the Syndicate when the time arrives.

7. The yearly payments due for amortisation and the half-yearly payments due for interest, except as otherwise provided in Clause 4, shall be made in accordance with the amounts and dates of a schedule to be attached to the Final Agreement, in shares to be determined by the Final Agreement, out of the joint net revenues of the railway lines to the Deutsche-Asiatische Bank and the Hong Kong and Shanghai Banking Corporation by the Boards of Commissioners hereinafter mentioned, who shall hand to those banks, at their branches in Shanghai, twenty-one days before the due date named in the schedule, funds in Shanghai sycee sufficient to meet such payment in sterling in Europe, the rate of exchange for which shall be settled with those two banks on the same day on a fair basis.

In reimbursement of expenses connected with the service of interest and principal of the loan, the two banks will receive a commission of $\frac{1}{4}$ per cent. on the annual loan service.

8. The Imperial Government of China hereby engages that the interest and principal of this loan shall duly be paid in full, and should the revenues of the railways not be sufficient to provide for the due and full payment of interest and repayment of principal of this loan, the Imperial Directors must memorialise the Throne, and the Imperial Government of China will then make arrangements to ensure that the amount of deficiency shall be met from other sources and handed over to the banks twenty-one days before the

due date of the funds required to complete full payment of interest and repayment of principal.

This clause to be open to reconsideration in the Final Agreement.

9. This entire loan shall be secured by a first mortgage on the permanent way, rolling-stock, and entire property, together with the revenue of the lines named in Clause 2. No further loan, charge, or mortgage shall be charged on this security, except with the written consent of the two banks, until the present loan is returned. In the event of default in payment of interest or repayment of principal of this loan on due date the railway lines and property so mortgaged shall be handed over to the Syndicate, to be dealt with in such a manner as may be legal and necessary for the full and effective protection of the bondholders. When the loan is completely redeemed, Clause 29 of this Agreement shall take effect.

10. The Syndicate will be authorised to issue to the subscribers to the loan, bonds for the total amount of the loan in pounds sterling in such form, in such languages, and for such amounts as shall appear advisable to the Syndicate, and these bonds shall be sealed in China by the Imperial Directors and in Europe by the Minister for China, in Berlin or London, as evidence that the Imperial Government of China is bound thereby as debtor of the loan. Provision will be made in the Final Agreement for the case of bonds lost, stolen, or destroyed.

11. All bonds and coupons and payments made and received in connection with the service of this loan shall be exempt from all Chinese taxes and imports for ever.

12. All details necessary for the prospectus and connected with the service of the interest and repayment of the principal of this loan, not explicitly provided for by the Final Agreement, shall be left to the arrangement of the Syndicate, who will be authorised to issue a prospectus of the loan as soon as possible after the signing of the Final Agreement.

The Imperial Government of China will instruct the Chinese Ministers in Berlin and London to co-operate with the representatives of the Syndicate in any matters requiring conjoint action, and the Chinese Minister in Berlin will sign the prospectus of the loan as required by the Rules of the Berlin Stock Exchange.

13. The loan shall be floated in one or more series at the discretion of the Syndicate, due regard being had to the interest of China; but the floating of the loan shall not be delayed more than necessary, subscriptions being invited by the Syndicate in Europe and in China from both European and Chinese on equal conditions.

14. The price of the loan shall be 90 per cent. net on the nominal principal to the Chinese Government. The proceeds of the loan shall be paid to the credit of a Tientsin-Chinkiang Imperial Government Railway account with the Hong Kong and Shanghai Banking Corporation, London. The payment into the credit of these accounts shall be made in such instalments and on such dates as the conditions allowed to the subscribers to the loan shall admit.

Interest at a rate to be arranged from time to time shall be granted on the credit balance of the railway accounts.

After deduction of the funds required for the service of interest and for

commission on this service during the time of construction, the Deutsche-Asiatische Bank will hold the proceeds with accrued interest to the order of the Board of Commissioners appointed for the northern part of the Tientsin-Chinkiang Railway lines, and the Hong Kong and Shanghai Banking Corporation will hold the proceeds with accrued interest to the order of the Board of Commissioners appointed for the southern part of the Tientsin-Chinkiang Railway lines. The Commissioners, in drawing the sums necessary for the construction, shall give notice to the banks fourteen days before the day on which they are required.

15. If during the time of construction the whole amount of the instalments with accrued interest to be paid by the Syndicate should, after deduction of the sums necessary for the service of interest on the loan, not be sufficient for the construction of the railway lines, the amount of deficiency shall be provided by a supplementary loan to be issued by the Syndicate, the interest and other conditions of which are to be the same as in this Agreement, but the price must be arranged when the time arrives.

If after the completion of the lines there should be a balance at credit of the Tientsin-Chinkiang Railway account, the Syndicate shall transfer such unused balance to the credit of the loan service reserve fund, herein-after mentioned as a provision for payments to which the Government is bound by Clause 8 of this Agreement.

16. If before the publication of the prospectus for the issue of the loan any political or financial crisis should take place in Europe or elsewhere, by which the markets and the prices of existing Chinese Government stocks are so affected as to render the successful issue of the loan impossible on the terms herein named, the Syndicate shall be granted such extension of time for the performance of their contract as the circumstances demand, or shall have the right to withdraw from their contract with the Chinese Imperial Government, which shall in that case become null and void.

17. The Deutsche-Asiatische Bank on the one side, and the Hong Kong and Shanghai Banking Corporation for themselves, and on behalf of Messrs. Jardine, Matheson & Co., as joint agents for the British and Chinese Corporation Limited, on the other side, shall take the loan in shares to be agreed upon by the Syndicate, and without responsibility for each other.

18. The northern part of the railway lines shall be constructed, equipped, and worked on behalf of the Imperial Chinese Government by the Deutsche-Asiatische Bank, and the southern part of the railway lines shall be constructed, equipped, and worked on behalf of the Imperial Chinese Government by the British and Chinese Corporation Limited, under conditions as follows:—For each of these parts a Board of Commissioners shall be appointed to superintend the construction, equipment, and working of the railway lines in accordance with regulations to be arranged between the Imperial Directors and the Deutsche-Asiatische Bank and the British and Chinese Corporation Limited.

19. An office shall be provided for the Imperial Directorate, and a head office shall be established for each Board of Commissioners. The Board of Commissioners for the northern and southern parts of the lines respectively, appointed to superintend the construction and administration, shall each

consist of five members, two Chinese managers representing the Imperial Directors and nominated by them, and three European members, namely, a representative of the Bank concerned, the Manager and the Chief Engineer, to be nominated by the Deutsche-Asiatische Bank, and the British and Chinese Corporation Limited.

In case any foreign or Chinese members of the Boards of Commissioners do not work well together, it shall be open to the Imperial Directors, the Deutsche - Asiatische Bank, and the British and Chinese Corporation Limited, to mutually discuss means to arrange and deal with the matter.

The foreign and Chinese railway staff, including a Ti-tiao, shall be appointed by the Boards of Commissioners, who will report the appointment to the Imperial Directors. In the event of an important appointment the two Chinese members of the Boards may first consult the Imperial Directors.

The principal members of the railway staff shall be capable and experienced Europeans, but Chinese with sufficient experience in engineering or traffic may also be appointed.

Foreign and Chinese members of the railway staff shall, in the event of incapacity or misconduct, be dismissed by the Boards of Commissioners, who will inform the Imperial Directors of the same.

The salaries of the five members of each Board of Commissioners and of the foreign and Chinese railway staff shall be arranged by the Deutsche-Asiatische Bank, the British and Chinese Corporation Limited, and the Imperial Directors, and paid by the head office of their respective sections.

20. The plans, estimates, and all matters relating to survey must be submitted for approbation to the Board of Commissioners. The Chief Engineer shall indicate to the Chinese Commissioners the land which it is necessary to purchase, and which must be sufficient for the construction of a permanent way with double lines and dependencies, and the Chinese Commissioners shall thereupon effect such purchases at a price to be based on a scale to be arranged after survey. In the event of the route proposed by the Chief Engineer passing through towns, villages, graveyards, or other points where much obstruction is encountered, the Chief Engineer will, together with the Board of Commissioners, consider means of diverting the proposed railway route in order to avoid difficulties.

21. After completion of the survey and due inquiry as to the prevailing provincial likin and customs dues, the Imperial Directors will arrange with the Deutsche-Asiatische Bank and the British and Chinese Corporation Limited, regulations for the payment of likin and duty upon merchandise and live stock in transit over the railway lines.

22. All materials necessary for the construction and working of the lines, obtained either from foreign countries or from other provinces of China, and the revenues derived from the railway, shall be exempt from duty or taxation of all kinds, and the Imperial Government of China will instruct the customs and likin authorities accordingly.

All material, plant, and goods shall be ordered from the Deutsche-Asiatische Bank and the British and Chinese Corporation Limited, on conditions to be arranged in the Final Agreement.

The plans, estimates, and requisitions for materials shall be submitted to the

Board of Commissioners by the Chief Engineer for reference at their discretion to the Imperial Directors, and the same shall be furnished by the Deutsche-Asiatische Bank and the British and Chinese Corporation on the best possible terms.

Due consideration will be extended to materials from the Hanyang Iron Works, if available when required, and of a quality satisfactory to the Chief Engineers of the Syndicate.

23. The Deutsche-Asiatische Bank and the British and Chinese Corporation Limited shall, during the working of the lines, maintain the railways, buildings, works, rolling-stock and dependencies in good order and condition.

24. Branch lines or extensions in connection with the Tientsin-Chinkiang Railway lines that may appear profitable or necessary later on shall be the subject of negotiations between the Imperial Directors and the Syndicate.

25. The tariff to be introduced by the European Manager shall be approved by the Boards of Commissioners, who will take into consideration the tariffs of other existing railway lines in China, while keeping in view the necessity for attracting traffic. The European Manager may also be instructed to enter into arrangements for tariffs on through traffic connecting lines. In case of war, foreign or internal, the railway lines shall be reserved in the first instance for the transport of Chinese troops, commissariat, and munitions of war under the order of Imperial Directors, and at half the ordinary tariff rates, and the railways shall not engage in any service injurious to China. In case of famine, grain will also be transported over the lines at half the ordinary tariff rate, under orders of the Imperial Directors.

26. All payments made and received in connection with the railway lines will be subject to the control of the Boards of Commissioners, and after the line is working estimates of receipts and expenditure shall be similarly submitted to the Boards. Regular accounts shall be furnished through the Imperial Directors to the Railway and Mining Bureau of the Tsung-li Yamen and the Board of Revenue, Peking. All payments made must be represented by Chinese or foreign vouchers, as the case may be.

27. The profits from working completed sections of the railways during the time of construction shall be credited to railway construction account.

28. Should any traffic business be apparent later on as likely to benefit the Imperial Government of China and increase the earning power of the railway lines, the Deutsche-Asiatische Bank and the British and Chinese Corporation Limited shall represent the same to the Imperial Directors, and request them to obtain the necessary authority to arrange the business.

29. The Deutsche-Asiatische Bank and the British and Chinese Corporation Limited shall work the lines on behalf of the Imperial Government of China until the present loan is redeemed. As soon as the loan has been completely redeemed this Agreement shall become null and void, and the railway lines and property named in this Agreement shall be handed over to the absolute disposal of the Chinese Government.

30. The annual net revenue is understood to be that resulting from the gross receipts of the passengers and goods traffic and the income from other sources, after deducting all working expenses, including maintenance of the permanent way, repairs and renovation of machinery and rolling-stock, and all expenses

of administration, besides deducting an amount to be determined by the Deutsche-Asiatische Bank and the British and Chinese Corporation Limited as sufficient for accumulating a reserve fund for extraordinary improvements or repairs. Of the surplus of the joint net annual revenue of the northern and southern railway lines, after payment of interest and repayment of principal of the loan, first, a participation of 20 per cent. will be granted to the Syndicate in remuneration for their management of the construction and the working of the railway lines; secondly, an amount equal to 10 per cent. of the gross earnings will be transferred to a loan service reserve fund, deposited with the two Banks, and the remainder will be at the disposal of the Imperial Government of China. An account of the said loan service reserve fund will be rendered yearly to the Railway and Mining Bureau of the Tsung-li Yamen and to the Board of Revenue, and the fund will be drawn upon only in the case of the revenue of the railway lines being insufficient to meet the service of interest and principal of the loan. On redemption of the loan being completed the balance of this fund will revert to the Chinese Government.

31. The powers and authority given and delegated to the Imperial Directors by the Imperial Government of China shall, in the case of their promotion or removal, be transferred to their successors, and the Deutsche-Asiatische Bank and the Hong Kong and Shanghai Banking Corporation, Messrs. Jardine, Matheson & Co., and the British and Chinese Corporation Limited, may, subject to all their obligations, transfer or delegate all or any of their rights, powers, and discretions to any German or English Company, directors, or agents, with or without power of further transfer and sub-delegation.

32. Differences arising between the Imperial Directors and the Syndicate will be taken up and decided with equity and justice by the Tsung-li Yamen on the one side, and the Minister for Germany and the Minister for Great Britain in China on the other side.

33. As soon as possible after the signature of this Agreement the Engineers of the Syndicate will be authorised by the Imperial Chinese Government to survey and report upon the proposed railway lines, when, subject to such report being satisfactory to the Syndicate, this Preliminary Agreement will be ratified by the Syndicate and replaced by a Final Agreement containing all necessary details. Modifications in the conditions of this Preliminary Agreement may be made, subject to the consent of both parties.

34. The provisions of this Preliminary Agreement shall, immediately after signature, be ratified by an Imperial Edict,¹ which shall be communicated by the Tsung-li Yamen to the Ministers for Germany and Great Britain in Peking.

35. Five sets of this Agreement are executed in English and Chinese, one set to be retained by the Tsung-li Yamen, one by the Railway and Mining Bureau, and one by each Contracting Party.

In the event of any doubt arising regarding the interpretation of the Contract, the English text shall rule.

¹ The Edict was issued on the 24th of May 1899; ride Blue Book, China, No. 1 of 1900, at p. 190.

APPENDIX F.—No. 1.

CONTRAT D'EMPRUNT.

Entre les Soussignés.

- I. La Compagnie Impériale des Chemins de fer Chinois, représentée par S. Ex. Sheng-hsuan-huai, son Directeur général, dûment autorisé par le Gouvernement Chinois.
- II. La Banque Russo-Chinoise, représentée par M.C.R. Wehrung, un de ses Directeurs, agissant en vertu de pleins pouvoir, pour le compte de la dite Banque.

Il a été convenu et arrêté ce qui suit :

Article I.—Suivant les Edits Impériale des 8 Juillet 1897 et du 17 Mai 1898 c'est à dire du 9^e jour de la 6^e lune de la 23^e année, et du 24^e année du Règne de S.M. Kuang-su, le Gouverneur et le Directeur du Bureau Commercial du Shansi ont été autorisés à signer un contrat d'emprunt avec la Banque Russo-Chinoise, pour la construction d'un Chemin de fer de Cheng-ting-fou à Tai-yuan-fou.

Cette ligne ayant une longueur de 250 kilomètres environ, forme un embranchement naturel de la ligne Hankow-Pékin ; en conséquence le Gouverneur du Shansi, par un rapport en date du 25 Juin 1902, c'est à dire du 18^e jour de la 5^e lune de la 28^e année du Règne de S.M. Kuang-su, a proposé au Gouvernement Chinois de charger le Directeur de la Compagnie Impériale des Chemins de fer Chinois de s'en occuper directement.

La proposition a été acceptée et S.Ex Sheng-hsuan-huai, Directeur general de la Compagnie Impériale des Chemins de fer Chinois a reçu des instructions du Gouvernement Chinois, en vertu d'un Décret du 7 Septembre 1902, c'est à dire du 6^e jour de la 7^e lune, de la 28^e année du Règne de S.M. Kuangsu, à la suite d'un rapport collectif, présenté par le Wai-wou-pou¹ et le Bureau Central des Mines et des Chemins de fer, de négocier un nouveau contrat d'emprunt pour le dit Chemin de fer, avec la Banque Russo-Chinoise. Avant de signer le présent contrat, S.Ex. Sheng-hsuan-huai l'a soumis à la ratification du Gouvernement Chinois qui l'a ratifié par un décret.

En conformité de cet Edit, S.Ex. Sheng-hsuan-huai a décidé de créer un emprunt 5% exterieur or, de l'Etat d'un montant nominal de 40,000,000 francs.

Cet emprunt recevra la dénomination d'emprunt Chinois 5% 1902. Il est entendu que le présent contrat, après sa signature, annulera tous les contrats antérieurs relatifs au Chemin de fer de Cheng-ting-fou à Tai-yuan-

¹ Chinese Foreign Office.

fou, signés par le Gouverneur du Shansi, en faveur de la Banque Russo-Chinoise.

Article II.—Cet emprunt sera représenté par 80,000 obligations de 500 francs or.

Ces obligations seront signées, au nom du Gouvernement Impérial Chinois par le Ministre Plénipotentiaire de Chine à Paris, dûment avisé par son Gouvernement.

Elles seront émisées en coupures de 1 à 5 obligations, dans la proportion qu'indiquera la Banque Russo-Chinoise et confectionnées aux frais de celle-ci.

Elles rapporteront 5% d'intérêt par an sur le capital nominal, payables en or.

Les intérêts courront à compter du jour des versements et seront payables le 1^{er} Septembre et le 1^{er} Mars de chaque année.

Les coupons échus et payés seront classés d'après leur ordre numérique, par les soins de la Banque Russo-Chinoise et aux frais de celle-ci.

Article III.—L'emprunt sera amorti en vingt années, à compter de la dixième année de l'émission, par voie de tirages au sort annuels, qui auront lieu à Paris, dans les bureaux de la Banque Russo-Chinoise conformément au tableau.

Les tirages au sort seront effectués, le deuxième mardi de Janvier de chaque année. Le premier tirage aura lieu à cette date, à compter de la dixième année, suivant l'émission.

Les numéros des titres sortis seront publiés dans quatre journaux aux frais de la Banque Russo-Chinoise.

Article IV.—Les obligations sorties au tirage seront payées en or à leur valeur nominale, à l'échéance du coupon suivant le tirage.

Les obligations présentées au remboursement devront être munies de tous les coupons non encore échus, et le montant des coupons manquants sera déduit du capital à rembourser.

Les intérêts sur les obligations cessent dès courir à partir du jour indiqué pour le remboursement.

Les obligations remboursées seront classées par les soins de la Banque Russo-Chinoise et aux frais de celle-ci.

Article V.—Les Gouvernement Impérial Chinois s'interdit de procéder avant le 1^{er} Septembre 1911 à une augmentation de l'amortissement, à un remboursement de la totalité de l'emprunt ou à sa conversion. Après cette date il sera libre de rembourser l'emprunt à n'importe quel moment, avant le terme d'échéance, et, une fois le remboursement effectué, le contrat sera déclaré nul.

Article VI.—Les Coupons et les titres amortis seront payables en francs à Paris, dans les bureaux de la Banques Russo-Chinoise ou des Etablissements que cette Banque désignera.

Article VII.—Le paiement des intérêts et le remboursement des obligations faisant partie du présent emprunt, sont garantis par les revenus généraux du Gouvernement Impérial Chinois.

De plus, en vertu d'une autorisation déjà accordée par le Gouvernement Chinois et d'accord avec lui, la Compagnie Imperiale des Chemins de fer

Chinois déclare affecter spécialement, par préférence, au paiement des intérêts et du capital du présent emprunt, et, en conséquence, céder et déléguer en faveur des dites obligations tout le produit net de la ligne de Cheng-ting-fou à Tai-yuen-fou, après paiement régulier de tous les frais d'administration et d'exploitation, le tout, ainsi qu'il est d'ailleurs indiqué dans un traité d'exploitation intervenu entre la Compagnie Impériale des Chemins de fer Chinois et la Banque Russo-Chinoise, traité ci-annexé et faisant partie intégrante avec ce contrat.

Cette affectation, est faite d'une manière exclusive et irrévocable jusqu'à complète extinction des obligations du présent emprunt.

Article 7.—Après avoir pris note du montant des recettes nettes, la Compagnie Impériale des Chemins de fer Chinois charge la Banque Russo-Chinoise de convertir en or, au mieux des intérêts du Gouvernement Impérial Chinois et de la Compagnie Impériale des Chemins de fer Chinois, et jusqu'à concurrence de la somme nécessaire pour assurer le service de l'emprunt à l'échéance semestrielle suivante les fonds provenant du produit net de l'exploitation.

Les remises à la succursale de la Banque Russo-Chinoise à Paris continueront jusqu'à ce que la somme nécessaire pour le service intégral de l'emprunt à l'échéance semestrielle suivante ait été réalisée en or, et de telle sorte que ce service soit assuré trois mois au moins avant cette échéance semestrielle.

Les établissements dépositaires feront valoir ces sommes de la manière la plus avantageuse au profit de la Compagnie Impériale des Chemins de fer Chinois.

Le compte, dans lequel ces sommes seront versées, sera débité vingt jours avant l'échéance semestrielle de la somme nécessaire pour le service de l'emprunt, intérêts, amortissements, frais de transport et commissions prévues au présent contrat.

Article 9.—La Banque qui aura reçu en dépôt les fonds, aura le droit de prélever, sans nouvelles autorisations, sur ces fonds en dépôt, le montant des coupons à payer pendant la période de construction. Elle aura seulement à en donner avis au Directeur général des Chemins de fer Chinois.

Article 10.—Pour assurer la garantie qui vient d'être donnée aux obligations du présent contrat, la Compagnie Impériale des Chemins de fer Chinois, concède à ces obligations une garantie spéciale de premier rang sur le Chemin de fer de Cheng-ting-fou à Tai-yuen-fou, matériel fixe et roulant et produits.

Cette affectation spéciale est acceptée au nom des porteurs d'obligations par la Banque Russo-Chinoise. En cas de non exécution des engagements pris par la Compagnie Impériale des Chemins de fer Chinois dans le présent contrat, la Banque Russo-Chinoise aura tous pouvoirs pour exercer sur les dits biens tous droits et actions résultants de cette affectation spéciale.

Article 11.—Les stipulations qui précèdent ne font pas obstacle à la responsabilité personnelle du Gouvernement Impérial Chinois relativement au présent emprunt, telle que cette responsabilité, est spécifiée à l'article 7.

En conséquence le Gouvernement Imperial Chinois s'engage à parfaire le somme nécessaire pour le service, en or, de L'emprunt, au cas où les sommes provenant du produit net de la ligne de Cheng-ting-fou à Tai-yuan-fou, et

versées par la Compagnie Impériale des Chemins de fer Chinois n'auraient pas produit, après leur conversion en or, et trois mois, au moins, avant l'échéance semestrielle suivante, la somme suffisante pour assurer le service.

Dans ce cas, et sur la demande qui lui sera adressée, le Gouvernement Impérial Chinois devra tenir à la disposition de la Banque Russo-Chinoise, soixante jours avant l'échéance semestrielle suivante, en or ou en valeurs jugées suffisantes pour la produire en or, la somme, qu'elle lui aura indiquée comme étant nécessaire pour compléter le service.

Article 12.—Sur les sommes provenant de ces versements de la Compagnie Impériale des Chemins de fer Chinois, ou des versements du Gouvernement Impérial Chinois, la Banque Russo-Chinoise prélèvera, en temps utile les montants nécessaires au service de l'emprunt, dans la mesure des besoins constatés dans le semestre précédent.

Article 13.—Le Gouvernement Impérial Chinois payera à la succursale de la Banque Russo-Chinoise à Paris ou aux maisons et établissements chargés du service de l'emprunt une commission de $\frac{1}{4}\%$, c'est à dire 25 francs pour 10,000 francs, sur le montant des coupons payés et une commission de $\frac{1}{4}\%$ sur le montant des obligation sorties aux tirages ou amorties par suite de remboursement anticipé. Le montant de cette allocation sera prélevé chaque semestre sur l'excédent des produits d'exploitation disponibles, et en cas d'insuffisance, il sera acquitté immédiatement par le Gouvernement Impérial Chinois.

Article 14.—Le Gouvernement Impérial Chinoise s'oblige à respecter et à faire respecter le privilège stipulé en faveur des obligations par l'article 9, par ces présentes conventions, et à maintenir quittes, libres et affranchis de tout impôt quelconque les titres et les coupons, ainsi que toutes les opérations quelconques et se rattachant au service de l'emprunt.

Article 15.—Les coupons qui n'auraient pas été présentés a l'encaissement dans les cinq années qui suivront leur échéance, seront prescrits en faveur du Gouvernement Impérial Chinois, le délai sera de trente ans pour les titres amortis.

A la mort de tout porteur d'obligation du présent emprunt, les titres seront transmis et appartiendront à ses héritiers, conformément aux lois de succession en vigueur dans le pays dont le porteur décédé était sujet.

Les paiements des coupons et le remboursement des titres seront effectués en temps de guerre, comme en temps de paix, aux porteurs indifféremment qu'ils soient sujets d'Etats amis ou d'Etats ennemis.

En cas de perte, de vol ou de destruction d'obligation du présent emprunt, le Gouvernement Chinois autorisera la Banque Russo-Chinoise à procéder, à ses frais, au remplacement des titres, après qu'il lui aura fourni des preuves, jugées suffisantes, de la perte des titres et des droits des reclamants.

Article 16.—Le Gouvernement Impérial Chinois, par l'intermédiaire des ses représentants en Europe, fera immédiatement les démarches nécessaires et fournira les pièces pour obtenir l'admission du présent emprunt à la côte officielle des Bourses de Pétersbourg et de Paris.

Article 17.—Sur la totalité du présent emprunt, s'élevant en capital nominal à la somme de 40,000,000 francs, la Banque Russo-Chinoise achète ferme 22,000,000 de francs capital nominal, soit 44,000 obligations de 500

francs, jouissance à dater du versement à la succursale de la Banque Russo-Chinoise à Paris, au prix de 90%, soit pour la somme totale de 19,800,000 francs.

Article 18.—Le produit de l'achat, conformément aux prévisions de dépenses calculées par la Banque Russo-Chinoise, sera, d'accord avec la Compagnie Impériale des Chemins de fer Chinois, ou déposé par la dite Banque dans les caisses de sa succursale de Paris, ou remis à sa succursale de Shanghai pour les besoins de la Compagnie Impériale des Chemins de fer Chinois.

Il est entendu que la Banque Russo-Chinoise ne sera tenue de livrer ces sommes que dans les conditions et sans les réserves indiquées à l'article 20 ci-après.

Il est entendu, en outre, qu'une partie du produit des obligations, le cinquième au moins, sera déposé, après la transformation en argent à la Banque Impériale Chinoise. Ce dépôt servira à faire face aux besoins des travaux, dans le moment où une transformation des fonds serait trop préjudiciable aux intérêts de la Compagnie.

Ce dépôt sera effectué dans les conditions et sans les réserves prévues à l'article 20.

L'excédent des fonds, après l'achèvement des travaux et après armement de la ligne, sera versé au Gouvernement Chinois, par l'entremise de la Compagnie Impériale des Chemins de fer Chinois.

Article 19.—Après la signature du présent contrat, la Compagnie Impériale des Chemins de fer Chinois chargera la Banque Russo-Chinoise de choisir un Ingénieur en Chef expérimenté en matière de travaux qui aura pour mission de diriger la construction de la ligne et d'arrêter des projets d'études plains, tracé, devis de l'ensemble de la ligne. Le tout sera soumis à l'approbation du Directeur général de la Compagnie Impériale des Chemins de fer Chinois.

Cet Ingénieur sera nommé, sur la présentation de la Banque Russo-Chinoise, par le Directeur général de la Compagnie Impériale des Chemins de fer Chinois dont il sera relevé immédiatement.

Le Directeur général de la Compagnie Impériale des Chemins de fer Chinois fixera le montant des émoluments de l'Ingénieur en Chef, après s'être mis d'accord avec la Banque Russo-Chinoise.

L'Ingénieur en Chef dressera un tableau du cadre organique du personnel Européen nécessaire à la construction de la ligne et le soumettra à l'approbation du Directeur général de la Compagnie Impériale des Chemins de fer Chinois. Ce personnel sera engagé par les soins de la Banque Russo-Chinoise que le placera sous les ordres de l'Ingénieur en Chef.

En ce que concerne le personnel Chinois, technique ou autre, le Directeur général de la Compagnie Impériale des Chemins de fer Chinois, se réserve le droit de le choisir et de le présenter à l'Ingénieur en Chef. Aucun employé Chinois ne pourra être engagé sans l'assentiment du Directeur général de la Compagnie Impériale des Chemins de fer Chinois.

Il est entendu que des sujets Chinois, ayant fait des études spéciales ou ayant acquis des connaissances pratiques suffisants, pourront être employés sur les travaux, sur la proposition du Directeur général de la Compagnie Impériale des Chemins de fer Chinois.

En ce qui concerne le service technique, le personnel Chinois, aussi bien que le personnel étranger, relèvera de l'autorité de l'Ingénieur en Chef, mais le Directeur général de la Compagnie Impériale des Chemins de fer Chinois se réserve le droit de demander la revocation de tout agent qui se sera rendu coupable d'inconduite, d'insubordination ou d'irréverence à l'égard des autorités Chinoises, quelle que soit sa nationalité.

Le Directeur général de la Compagnie Impériale des Chemins de fer Chinois se réserve également le droit de déléguer sur les travaux un Représentant spécial, muni de ses pleins pouvoirs. Les émoluments de ce Représentant, ainsi que les frais d'administration à Shanghai, encombreront à l'entreprise du Chemin de fer du Shansi, comme c'est le cas pour le Chemin de fer de Hankow-Pékin.

Les commandes du matériel, de l'outillage et du mobilier nécessaire pour la construction de la ligne et pour son exploitation régulière, devront être présentées préalablement par l'entremise de l'Ingénieur en Chef à l'approbation du Directeur général de la Compagnie Impériale des Chemins de fer Chinois. Les commandes ainsi que les adjudications de travaux sur les lieux devront être faites d'un commun accord entre l'Ingénieur en Chef et le Représentant du Directeur général de la Compagnie Impériale des Chemins de fer Chinois.

Le décompte des sommes payées pour fourniture de matériel et frais se toute nature acquittés en Europe, devra être envoyé tous les trois mois à la Compagnie Impériale des Chemins de fer Chinois.

Tous les mois, l'Ingénieur en Chef, d'accord avec le Directeur général de la Compagnie Impériale des Chemins de fer Chinois, demandera à la Banque Russo-Chinoise de faire verser par l'entremise de sa succursale, de Pékin, les sommes nécessaires aux dépenses générales de l'entreprise pour le mois suivant entre les mains d'un agent du Directeur général de la Compagnie Impériale des Chemins de fer Chinois. Cet agent ne pourra se déssaisir des fonds que sur la signature collective de l'Ingénieur en Chef et du Représentant du Directeur général de la Compagnie Impériale des Chemins de fer Chinois.

La Banque Russo-Chinoise n'aura donc à faire face à aucune dépense relativement aux travaux et à l'exploitation.

Elle cherchera à achever les travaux de la ligne dans un délai de trois ans.

Article 20.—Sur les différentes sections entre Cheng-ting-fou et Tai-yuan-fou, la Banque Russo-Chinoise versera chaque mois à la Compagnie Impériale des Chemins de fer Chinois, sur les fonds disponibles entre ses mains, les sommes nécessaires pour effectuer les paiements du mois suivant, conformément aux états de provision dressés par l'Ingénieur en Chef.

Le prix payé pour les obligations susindiquées étant exclusivement affecté à la construction de la ligne Cheng-ting-fou à Tai-yuan-fou, la Banque Russo-Chinoise aurait le droit, de ne pas se déssaisir des fonds sans le cas où l'un des versements n'aurait pas recu l'affectation prévue, comme aussi dans le cas où la Banque Russo-Chinoise ne serait pas mise en mesure par la Compagnie Impériale des Chemins de fer Chinois de poursuivre la direction des travaux de construction dont cette Banque est exclusivement chargée.

Article 21.—Le Gouvernement Chinois concède à la Banque Russo-

Chinoise l'option jusqu'à la date du 31 Decembre 1905 de se rendre acquéreur du surplus de l'emprunt, soit 18,000,000 francs et ce au prix de 90% nominal.

Cette option pourra être exercée en une ou plusieurs fois, sans égard aux amortisements opérés.

La livraison des titres levés sur les options aura lieu à la Banque Russo-Chinoise à Paris, qui ne s'en déssaisira que dans les conditions et sous les justifications prévues à l'article 20 ci-dessus.

Article 22.—Si la Banque Russo-Chinoise profite de la faculté qui lui est accordée d'acquérir tout ou partie des titres sur lesquels un droit d'option lui est réservé, elle s'entendra chaque fois avec la Compagnie Impériale des Chemins de fer Chinois pour déterminer les sections à construire au moyen des ressources nouvelles.

Article 23.—Les études de la ligne à partir de la date de la signature du présent contrat sont à la charge de la Compagnie Impériale des Chemins de fer Chinois. Toute la ligne sera divisée en deux sections principales ; la première de Cheng-ting-fou à Ping-t'ang sur la rive gauche de la rivière Woi-shui, au nord de P'ing-ting-chow, et la seconde de ce point jusqu'à Tai-yuan-fou.

Il est dès aujourd'hui entendu que la section à construire au moyen des fonds, provenant de la première option, sera celle de Cheng-ting-fou à P'ing-t'ang et que les études en seront commencées dès la première année.

Dans un délai, de deux mois à dater de la ratification du présent contrat, la Banque Russo-Chinoise tiendra à la disposition du Directeur général de la Compagnie Impériale des Chemins de fer Chinois la somme de 1,000,000 francs à titre d'avance sur les fonds de l'emprunt.

Cette somme, bien entendu, ne pourra être affectée qu'aux travaux d'études et de construction du Chemin de fer du Shansi. Le taux d'intérêt de cette avance, est fixé à 6% par an, sans prendre en considération le taux d'émission.

Le première option devra être levée dans un délai de onze mois à dater de la signature du présent contrat le produit de cette option servira au premier lieu à rembourser l'avance ci-dessus mentionnée.

Article 24.—La Banque Russo-Chinoise se réserve la faculté de faire une ou plusieurs émissions, par voie de souscription publique ou autrement, de tout ou partie des obligations achetées ferme, ou faisant partie de l'option ; les frais de ces émissions incombe, bien entendu, à la Banque Russo-Chinoise.

Article 25.—La totalité du matériel et des fournitures nécessaires à la construction et à l'exploitation du Chemin de fer de Cheng-ting-fou à Tai-yuan-fou, sera commandée par la Banque Russo-Chinoise qui exécutera les commandes consciencieusement et aux meilleures conditions.

Il est convenu que, à conditions égales le matériel et les fournitures qui peuvent être produits en Chine, ne seront pas commandés à l'étranger. Les mines et les usines dépendant de S.Ex. Sheng-hsuan-huai devront jouir, *a fortiori*, de cette préférence aux conditions et prix, y compris les frais de transport et d'assurance, comme si ces matériels et fournitures avaient été commandés à l'étranger.

Les commandes faites seront exemptés des tous droits de douane et de likin à leur entrée ou à leur passage sur le territoire Chinois.

Si la justification de cette franchise ne lui était pas fournie avant l'expiration du mois qui suivant la date à laquelle le Gouvernement Russe aurait fait savoir à la Banque Russo-Chinoise qu'il a reçu les notifications prévues à l'article 28, elle se réserve la faculté de pas se considérer comme engagée.

Elle se réserve la même faculté, dans le même délai, s'il venait à se produire des événements extraordinaires, tels qu'une guerre, ou si la Rente française baisse au dessous du pair.

Si de son côté, la Banque Russo-Chinoise ne tenait pas les engagements qu'elle a pris dans le présent contrat, celui-ci serait annulé : la Compagnie Impériale des Chemins de fer Chinois serait libre de conclure avec qui elle voudrait et de renoncer aux services de la Banque Russo-Chinoise.

Article 26.—En cas de conflits ou de divergences de vue entre la Banque Russo-Chinoise, ou ses délégués et le Gouvernement Imperial Chinois ou la Compagnie Impériale des Chemins de fer Chinois, ces conflits ou divergences de vue seront soumis au jugement d'un Membre du Ministerè des Affaires Etrangères du Gouvernement Chinois et le Ministre de Russie à Pékin.

En cas de désaccord entre ces derniers, le Ministre des Affaires Etrangères du Gouvernement Chinois et le Ministre du Russie désigneront un arbitre qui décidera en dernier ressort.

Article 27.—Si la Banque Russo-Chinoise en faisait la demande au Ministerè des Affaires Etrangères, celui-ci serait tenu de notifier le titre au Ministre du pays étranger qu'il lui désignerait comme prenant part à la souscription des titres.

Article 28.—Le présent contrat est établi en deux exemplaires, dont un pour la Compagnie Impériale des Chemins de fer Chinois et un pour la Banque Russo-Chinoise.

En cas de doute au de différence, le texte français seul fera foi pour l'interprétation du contrat.

Le présent contrat devra être soumis, par qui de droit, à la Sanction Impériale, et lorsque cette sanction aura été obtenue, le Ministerè des Affaires Etrangères du Gouvernement Chinois devra en aviser par dépêche officielle, le Ministre de Russie à Pékin, et, éventuellement sur la demande de ce dernier, le Représentant à Pékin du pays étranger auquel le titre sera notifié.

Ces formalités seront remplies dans un délai d'un mois qui suivra la signature du contrat.

APPENDIX F.—No. 2.

CONTRAT D'EXPLOITATION.

Entre les Soussignés.

- I. La Compagnie Impériale des Chemins de fer Chinois, représentée par son Directeur Général, Son Excellence Sheng-Hsuan-Huai, dûment autorisé par le Gouvernement Imperial Chinois.
- II. La Banque Russo-Chinoise, représentée par Monsieur C. R. Wehrung, un de des Directeurs.

Il été convenu ce qui suit :

Article 1.—La Compagnie Impériale des Chemins de fer Chinois, d'accord avec le Gouvernement Chinois, charge la Banque Russo-Chinoise, qui nommera des délégués à cet effet, de diriger, administrer et exploiter la ligne de Cheng-ting-fou a Tai-yuan-fou, dont la Compagnie Impériale des Chemins de fer Chinois est concessionnaire, suivant Edit de Sa Majesté L'Empereur de Chine.

Article 2.—La Banque Russo-Chinoise prendra l'exploitation de la ligne au fur et à mesure de l'achèvement de chaque section, après réception définitive par le Directeur Général des Chemins de fer Chinois, chaque section devant être complètement et préalablement armée et munie de tout le matériel nécessaire à l'exploitation, ainsi que des approvisionnements, de l'outillage, du mobilier et d'un fonds de roulement: la Banque Russo-Chinoise ou les délégués qu'elle aura nommés, en conformité des stipulations de l'article 1, organisera les services, aura le droit de recruter le personnel, sur lequel elle aura un droit absolu de révocation ou de licenciement, déter, minera ses émoluments, d'après un cadre organique dont la communication aura été faite préalablement au Directeur Général des Chemins de fer Chinois, fera toutes commandes nécessaires à l'exploitation et à l'entretien ou à la réparation des voies, fixera les tarifs dans les termes des contrats de concession, encaissera les recettes de toute nature ou effectuera le paiement des dépenses de l'exploitation et de l'administration de la Compagnie Impériale des Chemins de fer Chinois relatives au Chemin de fer du Shansi. Les mesures qui précédent, prises en vue de l'exploitation de la ligne seront soumises, à titre consultatif, par la Banque Russo-Chinoise ou par les Ingénieurs délégués par elle, à la Compagnie Imperiale des Chemins de fer Chinois.

Le Directeur Général de la Compagnie Imperiale des Chemins de fer Chinois aura un droit de contrôle le plus étendu sur les recettes et les dépenses. Il nommera un Représentant, un caissier, un comptable et un interprète, qui seront adjoints au personnel européen de l'entreprise, pour exercer le contrôle effectif prévu ci-dessus. Ce représentant et ses adjoints, désignés ci-dessus, seront payés par l'entreprise du Chemin de fer du Shansi. Ce représentant courtrera toutes les pièces de comptabilité.

Ainsi qu'il a été stipulé au contrat d'emprunt, le Directeur Général de la

Compagnie Impériale des Chemins de fer Chinois se réserve le droit de demander la révocation, de tout agent, quelle que soit sa nationalité, qui se sera rendu coupable d'inconduite, d'insubordination ou d'irréverence à l'égard des autorités Chinoises.

Le personnel Chinois sera choisi par le représentant du Directeur Général des Chemins de fer Chinois qui le placera sous les ordres exclusifs de l'Ingénieur en Chef.

L'acquisition de tout le matériel neuf ou les travaux d'amélioration ou d'extension de la voie courante ou des gares qui seraient nécessaires après l'ouverture de l'exploitation de chaque section, demeurent complètement à la charge de l'entreprise du Chemin de fer du Shansi. Dans la mesure du possible, les commandes nécessitées par l'entreprise et les réparations de la ligne seront faites aux mines et aux usines de Chine. Il est entendu que les mines et usines dépendant de Son Excellence Shen-hsuan-huai jouiront d'un droit de préférence sur les usines et mines étrangères, pour l'achat de tout le matériel mentionné ci-dessus, sur conditions et prix y compris les frais de transport et d'assurance comme si le matériel avait été acheté à l'étranger.

Article 3.—En cas de guerre, de révolution en Chine, le transport des troupes, des munitions et des approvisionnements aura le pas sur tous les transports commerciaux. Le transport sera taxé au tarif réduit de 50% : il se fera conformément aux instructions du Directeur Général de la Compagnie Imperiale des Chemins de fer Chinois : il sera de plus interdit de transporter tout ce qui serait de nature à nuire au Gouvernement Chinois.

Les services spéciaux pour les autorités locales et pour les Membres du Gouvernement Impérial Chinois seront assurés par la Direction de l'exploitation, après entente avec le représentant du Directeur Général de la Compagnie Imperiale des Chemins de fer Chinois. Il en sera de même pour les billets gratuits qui devront être contresignés par le représentant du Directeur Général de la Compagnie Impériale des Chemins de fer Chinois.

Article 4.—Sur les résultats de l'exploitation restant disponibles, après paiement de tous les frais, la Banque Russo-Chinoise retiendra les sommes nécessaires, pour assurer chaque semestre, et trois mois au moins avant l'échéance, le service de l'emprunt de 40,000,000 francs contracté par le Gouvernement Imperiale Chinois.

Cette retenue sera effectuée tant que le dit emprunt ne sera pas intégralement remboursé.

Le produit de cette retenue sera versé chaque mois entre les mains de la Banque Russo-Chinoise ou entre les mains de la société que celle-ci aura désignée. Celle-ci convertira en or, au mieux, les sommes à elles versées, pour les employer au service de l'emprunt.

Lorsque, au moyen des sommes ainsi versées, le service en or de l'emprunt aura été assuré, la Banque-Russo-Chinoise prélèvera 10% du surplus qui sera affecté à la constitution d'un fonds de réserve pour effectuer les réfections ou réparations extraordinaires en vue d'assurer l'exploitation.

Elle versera ensuite le solde restant disponible sur les produits de l'exploitation à la Compagnie Impériale des Chemins de fer Chinois.

En cas de remboursement prévu à l'article ci-après, la Banque Russo-

Chinoise ou ses délégués, remettront au représentant du Directeur Général de la Compagnie Impériale des Chemins de fer Chinois la ligne, le matériel fixe et roulant et tous les aménagements en bon état d'entretien.

Article 5.—La durée du présent contrat d'exploitation est fixée à trente années à compter de la signature du contrat.

Toutefois cette durée serait prolongée de plein droit au cas où, à ce moment là, l'emprunt de 40,000,000 francs ne serait pas intégralement amorti : cette prolongation se continuera tant que cet amortissement intégral n'aura pas été effectué. Mais si le remboursement de l'emprunt était effectué avant le terme de l'échéance, le présent contrat d'exploitation serait annulé à partir du jour du remboursement total de l'emprunt.

Article 6.—Pendant toute la durée de l'exploitation de la ligne par la Banque Russo-Chinoise, la Compagnie Imperiale des Chemins de fer Chinois lui accorde une participation de 20% dans les bénéfices nets du Chemins de fer de Cheng-ting fou à Tai-yuan-fou, tels qu'ils auront été arrêtés d'un commun accord, après chaque exercice, en tenant compte, bien entendu, des sommes nécessaires pour faire le service de l'intérêt et de l'amortissement de l'emprunt.

Article 7.—En cas de conflits ou de divergences de vues entre la Compagnie Impériale des Chemins de fer Chinois ou le Gouvernement Impérial Chinois et la Banque Russo-Chinoise, ces conflits ou divergences de vues seront réglés, ainsi qu'il est spécifié à l'article 26 du contrat d'emprunt.

Article 8.—Si les recettes d'exploitation n'étaient pas suffisantes pour convrir les frais, la Compagnie Impériale des Chemins de fer Chinois aurait à fournir les ressources nécessaires pour assurer le service régulier de l'exploitation dans les conditions normales.

Ces ressources, ainsi fournies, seront considérées comme une avance remboursable à la Compagnie Impériale des Chemins de fer Chinois aussitôt que les recettes accuseront un excédent sur les dépenses.

Article 9.—Tout le matériel et toutes les fournitures dont la Banque Russo-Chinoise pourra avoir besoin pour l'exploitation, comme aussi pour l'entretien et la réparation de la ligne, seront, lor-qu'ils proviendront de l'étranger, affranchis de tous droits de douane ou de likin.

Article 10.—Le présent contrat est établi en deux exemplaires, dont un pour la Compagnie Impériale des Chemins de fer Chinois et un pour la Banque Russo-Chinoise.

En cas de doute ou de différence, le texte français seul fera foi pour l'interprétation du contrat.

Le présent contrat sera soumis, par qui de droit, à la sanction Imperiale, et lorsque cette sanction sera obtenue, le Ministère des Affaires étrangères du Gouvernement Chinois devra en aviser, par dépêche officielle, le Ministre de Russie à Pékin et éventuellement, sur la demande de ce dernier, le représentant à Pékin, du pays étranger auquel le titre sera notifié.

APPENDIX F.—No. 3.

CONTRACT FOR BUILDING A RAILWAY FROM KAI-FENG FU TO HO-NAN FU.
Signed at Shanghai, 1904. (Translation.)

BETWEEN the undersigned :

1. The Imperial Chinese Railway Company, represented by H.E. Sheng Kung Pao, Director-General, duly authorised by the Chinese Government.

2. La Compagnie Generale de Chemins de Fer et de Tramways en Chine, represented by Monsieur Armand Rouffart, its delegated Administrator, provided with full powers.

It has been agreed as follows :

Article 1.—The Director-General of the Imperial Chinese Railway Company, H.E. Sheng Kung Pao, has asked, in a report, the Chinese Government that a line of railway should be built starting from a point called Yung Tse on the railway line of the Luhan where the latter crosses the river. From that point eastward to Kai-feng the line will be 170 li long, and westward to Ho-nan Fu it will cover 250 li. These two branches of the Luhan to be built by a Belgian party (groupe), which will make a loan to build them.

This proposal was accepted by a decree dated the 30th day of the 10th moon of 25th year of the present reign.

Monsieur Rouffart, the representative of La Compagnie Generale de Chemins de Fer et de Tramways en Chine, has asked us by letter to undertake this building, and we sent a Chinese official to accompany him in his preliminary study on the ground. After said study, Monsieur Rouffart estimated the probable cost of these two branches at one million pounds sterling, or 25,000,000 francs ; and for all other terms the contract from Peking to Hankow are to be followed.

Under date of the 29th day of the 12th moon of the 28th year of the present reign the Wai-Wu-Pu wrote to me that I was to discuss the terms of the contract with Monsieur Rouffart, and it asked me to settle the matter as promptly as possible.

Considering that Monsieur Rouffart has full powers from the Compagnie Generale de Chemins de Fer et de Tramways en Chine to negotiate this business for it, we, Director-General of the Imperial Chinese Railway Company, and Monsieur Armand Rouffart, representing the Compagnie Generale de Chemins de Fer et de Tramways en Chine, hereby enter into a contract for a loan, the product of which shall be applied to the building of the Railway from Ho-nan Fu to Kai-feng Fu.

Before signing the contract the Director-General of the Imperial Chinese Railway Company has submitted said contract for Imperial sanction, and it has been approved under date of ____.

This decree shall form Annex 1 of the present contract. In virtue of the above the Director-General, on account of the Chinese Government, makes a gold 5 per cent. loan for the sum of 25,000,000 francs, or 1,000,000

pounds sterling. This loan shall be known as the Chinese Government 5 per cent. Gold Foreign 1903 Loan (*Emprunt du Gouvernement Chinois 5 per cent. or Exterieur 1903*).

Article 2.—This loan shall be represented by 50,000 bonds of 500 francs gold each.

These bonds, the text of which is annexed to the present contract (Annex 2), shall be signed in the name of the Chinese Government by the Minister Plenipotentiary of China at Brussels.

They shall be delivered in fractional bonds (coupons) of 1 to 2 bonds, in such proportion as the Compagnie Generale de Chemins de Fer et de Tramways en Chine may request, the total number not to exceed 50,000; the expense of making these bonds shall be charged to the Compagnie Generale de Chemins de Fer et de Tramways en Chine. They shall bear 5 per cent. interest a year on the nominal capital payable in gold.

Interest shall run from the date of payment of the product (of the sale) of the bonds, and shall be payable the 1st January and 1st July of each year.

Coupons which have become due and have been paid shall be classed in numeric order by the Compagnie Generale de Chemins de Fer et de Tramways en Chine, and at its expense, and it shall then send them to the Imperial Chinese Railway Company at Shanghai to be cancelled. If the returned coupons are lost in transmission the Compagnie Generale de Chemins de Fer et de Tramways en Chine must publish the numbers of the paid and lost coupons in four different newspapers, and transmit to the Imperial Chinese Railway Company a declaration stating the loss.

Article 3.—The loan shall be redeemed in twenty years counted from the tenth year of issue, by the method of drawing by lots in the offices of the Compagnie Generale de Chemins de Fer et de Tramways en Chine, in accordance with the table annexed to the present contract (Annex 3). The drawings by lots shall take place on the third Wednesday of April in each year. The first drawing shall take place on that date beginning with the tenth year from the date of issue of the loan.

The numbers of the drawn bonds shall be published in four newspapers at the expense of the Compagnie Generale de Chemins de Fer et de Tramway en Chine.

Article 4.—The bonds drawn by lots shall be paid in gold at their par value on the date on which falls due the coupons following the date of the drawing. Bonds presented for refunding must have attached all coupons still unpaid, and the amount of missing coupons will be deducted from the capital to be reimbursed. Interest on bonds will cease to accrue from the day set for reimbursement. Paid off bonds shall be classified and sent back by and at the expense of the Compagnie Generale de Chemins de Fer et de Tramways en Chine to the Imperial Chinese Railway Company at Shanghai to be cancelled. If these bonds should be lost on the way, the Compagnie Generale de Chemins de Fer et de Tramways en Chine shall publish the numbers of the paid and lost bonds in four different newspapers, and transmit to the Imperial Chinese Railway Company a declaration stating the loss.

Article 5.—The Chinese Government denies itself the right, before the date fixed for the first amortisation, to fix a larger amortisation, or to refund

the whole loan or to convert it. After that date it shall be free to refund the loan at whatsoever time it chooses before the dates of payment, and, the refunding made, all contracts shall be declared annulled.

Article 6.—Coupons and bonds shall be paid off in francs in the office or offices entrusted with the management of the loan.

Article 7.—Interest payment and the reimbursement of the bonds provided for in the present loan shall be guaranteed by the gross revenues of the Imperial Chinese Government.

Furthermore, in virtue of the authorisation already granted by the Chinese Government, and in accord with it, the Imperial Chinese Railway Company declares that it makes a preferential assignment in favour of the payment of interest and of the capital of the present loan, and that it cedes and assigns in favour of said obligations all the net receipts of the line from Kai-feng Fu to Ho-nan Fu, after the regular payment of all expenses of management and operating, the whole as elsewhere indicated in an operating treaty concluded between the Imperial Chinese Railway Company and the Compagnie Generale de Chemins de Fer et de Tramways en Chine, said treaty being annexed to and forming an integral part of the present contract. This assignment is made exclusively and irrevocably until complete redemption of the bonds of the present contract.

Article 8.—After auditing and noting the net receipts the Imperial Chinese Railway Company shall direct the Compagnie Generale de Chemins de Fer et de Tramways en Chine to deposit these funds in a bank to be chosen by common consent. This bank shall convert into gold, in accordance with the provisions stipulated in the contract made between the Bank, the Imperial Chinese Railway Company, and the Compagnie Generale de Chemins de Fer et de Tramways en Chine, and to the best advantage of the Imperial Chinese Railway Company, the sums paid it, and up to the full amount needed to ensure the service of the loan at the next semi-annual payment.

These deposits shall continue to be made until the sum needed for the integral service of the loan on the following date of payment has been realised in gold, and in such manner that said service is ensured at least three months before the date of the semi-annual payment.

The bank designated for the receipt of these sums shall use them to the best advantage of the Imperial Chinese Railway Company. The account in which these sums shall be carried shall be charged twenty days before the date of payment with the sums needed for the service of the loan, interest, amortisation, money expenses, difference of exchange, and the commissions provided for by the present contract.

Article 9.—The bank in which shall be deposited the loan funds shall have the right without further authorisation to levy on said funds on deposit the amount of the coupons to be paid during the construction period ; but it shall advise the Director-General as these payments are made.

Article 10.—To ensure the guarantee just given to the bonds of the present contract, the Imperial Chinese Railway Company grants these bonds a special first-class guarantee on the railway from Kai-feng Fu to Ho-nan Fu, on its fixed and rolling stock and its receipts.

The special assignment is accepted in the name of the bondholders by the

Compagnie Generale de Chemins de Fer et de Tramways en Chine. In case of non-fulfilment of the obligations assumed by the Imperial Chinese Railway Company in the present contract, the Compagnie Generale de Chemins de Fer et de Tramways en Chine shall have full power to take such action against said property as may result from this special assignment, and in that case the provisions of the operating treaty hereto annexed must always be strictly observed.

Article 11.—The preceding provisions do not conflict with the personal responsibility of the Chinese Government concerning the present loan, as said responsibility is specified in Article 7.

Consequently the Imperial Chinese Government pledges itself to make up the sum necessary for the service of the loan in gold, in case the sums derived from the net revenues of the line from Kai-feng Fu to Ho-nan Fu, and paid in by the Compagnie Generale de Chemins de Fer et de Tramways en Chine, entrusted with this management by the Imperial Chinese Railway Company, to the bank chosen, should not produce after conversion into gold, and three months before the date of the following semi-annual payment, an amount sufficient to ensure said service.

In the case, and on demand made it, the Imperial Chinese Government shall be bound to put at the disposal of the Compagnie Generale de Chemins de Fer et de Tramways en Chine sixty days before the following semi-annual payment falls due, in gold or in securities of sufficient amount to produce it in gold, the sum stated to it as being needed to make up said service.

Article 12.—From the sums derived from the deposits by the Compagnie Generale de Chemins de Fer et de Tramways en Chine, entrusted with that duty by the Imperial Chinese Railway Company, or from the supplementary sums paid by the Chinese Government, the Compagnie Generale de Chemins de Fer et de Tramways en Chine shall, in proper season, place at the disposal of the firms entrusted with the management of the loan the amounts necessary therefor according to the needs as determined during the preceding half-year.

Article 13.—The Imperial Chinese Government will pay to the firm entrusted with the management of the loan a commission of $\frac{1}{4}$ per cent., that is to say 25 francs for 10,000 francs on the amount of the coupons paid, and a commission of $\frac{1}{4}$ per cent. on the amount of bonds drawn by lots or redeemed under anticipated refundings. The amount of this allowance shall be settled every six months; and, in case of insufficiency, it will be paid at once by the Imperial Chinese Government.

Article 14.—The Imperial Chinese Government binds itself to respect and cause to be respected the privilege provided for in favour of the bonds under Article 9 of the present conventions, and to hold free of all Chinese taxation whatsoever the bonds and coupons as well as all operations whatsoever connected with the management (service) of the loan. The preceding (provision) concerns the bonds and coupons of the loan and the operations relating to the management of the loan, and which shall be exempt from all taxation. But the taxes now in force in China, such as land rent and the taxes which the Chinese Government may impose hereafter, such as a stamp tax levied on the general commerce of China, the railway provided for in the present contract, and its traffic shall bear them. It being understood that no exceptional law

shall be passed for the railway in question, and that the rule which shall be applied to it shall be that of all Chinese railways.

Article 15.—Coupons which have not been presented for cashing within five years after the date on which they fall due shall be lost by limitation (*prescrits*) in favour of the Imperial Chinese Government. The limit of time shall be of thirty years in case of redeemed bonds.

On the death of any bondholder of the present loan, the bonds shall be transferred and shall belong to the heirs, in conformity with the inheritance laws in force in the country of the bondholder.

Payment of coupons and refunding of bonds shall take place in time of peace and in time of war to the holders, whether they be subjects of friendly states or of hostile ones. In case of loss, theft, or destruction of bonds of the present loan, the Imperial Chinese Government will authorise the Compagnie Generale de Chemins de Fer et de Tramways en Chine to replace the bonds by new ones at its own expense, whenever it shall have satisfactory evidence of the loss or destruction of the bonds and title-deeds (*des titres et des droits*) of the claimants.

Article 16.—The Imperial Chinese Government, through its representatives, shall at once take steps and shall furnish the necessary documents to secure the official listing (of the bonds) in the Bourses of the capitals of Europe.

Article 17.—The whole amount of the present loan, amounting to twenty-five millions of francs, represented by 500,000 bonds of 500 francs each, possession to be had from the date of payment, is bought outright (*pris ferme*) by the Compagnie Generale de Chemins de Fer et de Tramways en Chine, at the price of 90 per cent., that is for the sum of twenty-two millions five hundred thousand francs.

If on the date of issue the bonds for the loan for the Hankow-Peking Railway should be quoted below 482.50 francs inclusive of the interest payable (*en tenant compte de la jouissance*) the two contracting parties would have the right to cancel the present contract.

Article 18.—The Compagnie Generale de Chemins de Fer et de Tramway en Chine will deposit the full amount of the proceeds of this purchase in the banks designated by it after agreement with the Director-General of the Imperial Chinese Railway Company, on delivery of the 50,000 bonds bought outright (*achetées fermes*).

The sum needed for the building of a fixed length of line shall be transferred to Shanghai, and deposited in such bank as is mutually agreed upon.

This bank shall convert into taels the sum in accordance with the instructions of the Director-General of the Imperial Chinese Railway Company. A sum on the available proceeds of the loan, at least one-tenth of the proceeds of the conversion into taels, shall be deposited in a bank in China, to be chosen by the Director-General of the Imperial Chinese Railway Company, and under his sole responsibility, and this deposit shall be applied to expenses at such times as the rates for the conversion of European values into taels may be unfavourable. It being well understood that the depository establishments shall only be required to deliver these sums under the conditions and limitations mentioned in Article 20 here below.

Article 19.—The construction work for the whole of the line shall be under the direction of the Chief Engineer chosen by the Compagnie Generale de Chemins de Fer et de Tramways en Chine, entrusted with this work by the Imperial Chinese Railway Company and for its account.

The Chief Engineer shall prepare all studies, plans, tracings, estimates for the whole of the line; he shall direct the carrying out of all works and shall order the materials, tools, and supplies necessary to ensure the regular working of the line. Nevertheless all these operations must be submitted for the approval of the Director-General of the Imperial Chinese Railway Company.

As the line from Kai-feng Fu to Ho-nan Fu is a feeder (*confluent*) of the Luhan, the width of the rails and the general methods of operating must be the same as on the Luhan.

With the exception of the supplies of material and the expenses of all kinds duly authorised by an act signed by the Director-General of the Imperial Chinese Railway Company, and paid at Brussels, the Imperial Chinese Railway Company shall place at the disposal of the Compagnie Generale de Chemins de Fer et de Tramways en Chine, from the proceeds of the loan, the sums necessary to make, without any exceptions, all necessary payments for the carrying out of the works, the salaries of the staff under its orders, and in general for all expenses of whatsoever kind. But these payments must always be previously approved by the representatives of the Director-General.

After the signing of the present contract the Imperial Chinese Railway Company directs the Compagnie Generale de Chemins de Fer et de Tramways en Chine to choose an Engineer with experience in construction work, who shall direct the construction of the line and prepare studies, plans, tracings, and specifications for the whole line, and the whole shall be submitted for the approval of the Director-General of the Imperial Chinese Railway Company. Said Chief Engineer shall be appointed, on recommendation of the Compagnie Generale de Chemins de Fer et de Tramways en Chine, by the Director-General of the Imperial Chinese Railway Company, to whom he is directly responsible.

The Director-General of Chinese Railways shall fix the amount of his salary, after agreement with the Compagnie Generale de Chemins de Fer et de Tramways en Chine.

The Chief Engineer shall prepare a tabulated plan of the European staff necessary for the building, and shall submit it for the approval of the Director-General of the Imperial Chinese Railway Company. This staff shall be engaged by the Compagnie Generale de Chemins de Fer et de Tramways en Chine, which shall put it under the order of the Chief Engineer.

As regards the Chinese staff, whether technical or other, the Director-General of the Imperial Chinese Railway Company reserves to himself the right to choose it, and to put it under the orders of the Chief Engineer. No Chinese or European employee shall be engaged without the assent of the Director-General of the Imperial Chinese Railway Company. It is understood that Chinese subjects who have made special studies, or who have acquired sufficient practical knowledge, may be presented by the Director-General of the Imperial Chinese Railway Company to the Chief Engineer, who

shall employ them on the works under the same conditions as European employees. As to the technical service, the Chinese staff as well as the European staff shall be under the direct orders of the Chief Engineer. But the Director-General reserves the right to demand the instant dismissal of any agent of whatever nationality on condition that the demand for dismissal is based on serious reasons.

The Director-General likewise reserves the right to depute on the works a special representative with full powers. The salary of said representative, as also the running expenses of the head office at Shanghai, shall devolve on the Kai-feng Fu to Ho-nan Fu railway concern.

Orders for materials, tools, and furniture for the construction of the line, and for its orderly working, shall be submitted through the Chief Engineer to the Director-General for approval.

Orders as well as contracts for work shall be drawn up, after mutual agreement, by the Chief Engineer and the representative of the Director-General.

Statements of the sums paid for supplies of materials and expenditures of every description settled in Europe shall be sent with all vouchers and explanatory documents to the Imperial Chinese Railway Company every three months.

Every month the Chief Engineer, in agreement with the Imperial Chinese Railway Company, shall request the bank in which are deposited the loan funds, to pay the amount necessary for the general expenses of the undertaking during the month following, to an agent chosen by the Director-General of the Imperial Chinese Railway, and against receipt duly signed by the latter and under the responsibility of the Director-General of the Imperial Chinese Railway Company. This agent shall not surrender any of the funds except under the signature of both the Chief Engineer and the representative of the Director-General.

The Compagnie Generale de Chemins de Fer et de Tramways en Chine shall not therefore be obliged to meet any expense for the building out of its own money.

Said Company shall endeavour to finish the work on the line within two years from the date on which the railway from Hankow to Peking shall be opened to traffic as far as the Yellow River, because materials will then be easily transported.

It is well understood that the Imperial Chinese Railway Company will not pay the expenses of the office in Brussels, except the necessary expenses for the studies, orders, receipt of materials, living of staff; consequently the personal expenses of the directors, allowances (indemnities), etc., will continue to be chargeable to the Compagnie Generale de Chemins de Fer et de Tramways en Chine.

Article XX.—The price paid for the above-mentioned bonds being exclusively assigned to the building of the railway from Kai-feng Fu to Ho-nan Fu, the Compagnie Generale de Chemins de Fer et de Tramways en Chine, or the bank having received the deposits, would have the right not to give up these funds in case one of the deposits should not have been applied as provided for, and also in case the delegates of the Compagnie Generale de Chemins de Fer et de Tramways en Chine were not enabled by the Imperial

Chinese Railway Company to continue the direction of the construction works.

The balance on hand, if any should exist after the completion of the works, shall be held subject to the order of the Imperial Chinese Railway Company. After the completion of the works and the organisation of traffic, if the funds of the issue should still show a (credit) balance, said balance shall be paid in full to the Imperial Chinese Railway Company, who shall remit it to the Chinese Government.

If the loan provided for in the present contract should not be enough to finish the line or to organise traffic, the Compagnie Generale de Chemins de Fer et de Tramways en Chine is authorised by the present (contract) to make a further loan on the same terms as in the present contract without being obliged to make a new contract.

Article XXI.—Within nine months following the date of the signing of the present contract, the Compagnie Generale de Chemins de Fer et de Tramways en Chine shall buy outright from the 50,000 bonds a first lot for 12,500,000 francs at the price of 90 per cent. for the purpose of building the first portion of the line. The balance of the issue, or 12,500,000 francs, for the building of the second section of the line, shall be taken at the same price and in one or two instalments by (public) subscription or otherwise. But it remains well understood that the expense of issuing the loan falls on the Compagnie Generale de Chemins de Fer et de Tramways en Chine.

If the Compagnie Generale de Chemins de Fer et de Tramways en Chine should begin simultaneously the building of both sections of the road on either side of the Luhan line, it shall have the right to make but one issue for the whole loan.

Article XXII.—Preliminary studies of the line after the signing of the present contract are at the expense of the Imperial Chinese Railway Company, and are to be provided for out of the loan funds. Said studies of the line shall be provided for from the revenues derived from the loan, and they shall begin on the section running from Kai-feng Fu to the junction with the Hankow-Peking line. They shall afterwards be made over the other sections. From the Luhan junction to Ho-nan Fu will constitute the second section.

The proceeds from the first purchase of bonds shall be applied to the building of the portion of line from Kai-feng Fu to the Luhan junction.

The preliminary studies shall begin within nine months from the date of signing the present contract.

The Compagnie Generale de Chemins de Fer et de Tramways en Chine shall deposit one million francs to the order of the Imperial Chinese Railway Company. This sum is considered as an advance on the loan for the railway from Kai-feng Fu to Ho-nan Fu, and is to be specially devoted to expenses for study of the line.

The depository bank shall not surrender this sum except in accordance with the provisions of Article XX. of the present contract.

This advance shall produce an annual 6 per cent. interest without rate of issue, but it shall be refunded with the proceeds of the first sale of 12,500,000 francs, which must be issued within nine months from the signing of the

present contract ; a portion of the proceeds of this sale will be issued to refund the advance first made.

Article XXIII.—Should the Compagnie Generale de Chemins de Fer et de Tramways en Chine finish satisfactorily the work for the railway from Kai-feng Fu to Ho-nan Fu, complying strictly with all the provisions of the present contract, and should the Chinese Government decide to extend the railway from Ho-nan Fu to Si-ngan Fu, the Director-General of the Imperial Chinese Railway Company agrees to come to an understanding preferably with, and to grant an option for the loan necessary for said undertaking to, the Compagnie Generale de Chemins de Fer et de Tramways en Chine, in conformity with the provisions and conditions of the present contract.

Article XXIV.—The present contract shall only be binding on the Compagnie Generale de Chemins de Fer et de Tramways en Chine if it is assumed that, exclusive of what may be furnished and produced in China, and bought at the same prices as the European product delivered in China, the total amount of materials and supplies necessary for the building and operating of the railway from Kai-feng Fu to Ho-nan Fu will be asked of and ordered from the Compagnie Generale de Chemins de Fer et de Tramways en Chine, which will fill these orders under the best possible terms.

The carrying out of this provision of this contract by the Imperial Chinese Railway Company will be proven by the orders for materials for each of the sections of line undertaken.

Orders from the Compagnie Generale de Chemins de Fer et de Tramways en Chine will be free from all duties or from likin on importation or in transit across Chinese territory.

If proof of the granting of this franchise is not forthcoming before the end of the month following the date on which the Belgian Government should inform the Compagnie Generale de Chemins de Fer et de Tramways en Chine that it has received notification concerning Article XXVIII, said Company reserves the right not to consider itself bound.

It reserves the same right if extraordinary events should take place, such as a war, or if there were absolute impossibility to secure subscribers for the bonds.

Should on its side the Compagnie Generale de Chemins de Fer et de Tramways en Chine not fulfil within the given delays the obligations it has assumed by the present contract, it shall become annulled. The Imperial Chinese Railway Company would be at liberty to enter into contract with whosoever it chose, and to give up the service of the Chief Engineer.

It is expressly agreed that the works and mines under the control of H.E. Sheng Kung Pao shall have a preferential right for all orders necessary for the building and operating of the railway which is the object of the present contract. The word preference applies to equality of specifications and prices, including transportation, as if the orders had to be filled abroad and delivered in China.

All orders made in China shall be free of duties and of likin on Chinese territory.

Article XXV.—In case of disagreement between the Compagnie Generale de Chemins de Fer et de Tramways en Chine or its delegates and the Imperial

Chinese Government or the Imperial Chinese Railway Company, such conflicts or disagreements shall be settled by the decision of a member of the Ministry of Foreign Affairs and the Minister of Belgium in China. In case of non-agreement the third arbitrator shall be the Dean of the Diplomatic Body at Peking.

Article XXVI.—Should the Minister of Belgium request the Chinese Minister of Foreign Affairs, the latter shall be bound to give cognisance of the title (*notifier le titre*) to the Minister of the foreign country mentioned to him as subscribing to the issue of bonds. The present contract is drawn up in triplicate, one copy for the Chinese Government, one for the Imperial Chinese Railway Company, and the third for the Compagnie Generale de Chemins de Fer et de Tramways en Chine.

In case of doubt or disagreement, the French text alone shall be authoritative in interpreting the present contract.

The present contract shall be submitted through the proper channel for the Imperial Sanction, and when that shall have been obtained, the Minister of Foreign Affairs shall notify, by official despatch, the Representative of Belgium at Peking, and in case of necessity, the Representative at Peking of the foreign country to whom the title shall be notified.

Article XXVIII.—The Compagnie Generale de Chemins de Fer et de Tramways en Chine has been organised at Brussels the 26th March 1900, under Belgian law (*régime belge*) and with Belgian capital.

The Imperial Chinese Railway Company only recognises for the purposes of the present contract the above-mentioned contracting Belgian Company, which shall never have the right to transfer the present contract to other nations nor to persons of another nationality than Belgian.

Article XXIX.—The present contract includes the right to build little branch lines from the line from Kai-feng Fu to Ho-nan Fu for the purpose of securing traffic and establishing useful relations. These branch lines shall only be built after agreement with the Director-General and the Governor of Ho-nan and in accordance with plans approved by them.

APPENDIX F.—No. 4.

CANTON-KOWLOON RAILWAY.

AGREEMENT BETWEEN THE WAI-WU-PU (BOARD OF FOREIGN AFFAIRS OF THE CHINESE GOVERNMENT) AND THE BRITISH AND CHINESE CORPORATION LIMITED, FOR THE ISSUE AND REGULATION OF A LOAN FOR THE CONSTRUCTION OF A RAILWAY FROM THE CITY OF CANTON TO THE BOUNDARY OF THE KOWLOON LEASED TERRITORY UNDER BRITISH CONTROL (HEREINAFTER CALLED THE RAILWAY).

THIS Agreement is made at Peking on the 23rd day of the first month of the 33rd year of Kwang Hsu, corresponding to the 7th day of March 1907, and the contracting parties are :—

The Wai-Wu-Pu acting under the authority of an Imperial Decree, of the one part, and the British and Chinese Corporation Limited (hereinafter called the Corporation), of the other part.

Whereas a preliminary agreement was made on the 28th March 1899, between H.E. Sheng, Director-General of the Imperial Chinese Railway Administration, acting under the authority of the Tsung-Li Yamen, of the one part, and the British firm of Jardine, Matheson & Company, for themselves and on behalf of the Hongkong and Shanghai Banking Corporation, representing as Joint Agents the Corporation, of the other part, and it was part of the objects thereof that the terms of another preliminary agreement signed by the same contracting parties on the 13th May 1898 should be thereby adopted as a preliminary agreement for the construction and working of a Railway from the city of Canton to the boundary of the Kowloon leased territory under British control, subject, however, as far as might be practicable, to the terms and conditions thereafter agreed to in the final contract for the Shanghai-Nanking Railway when signed and ratified.

Now it is hereby agreed by and between the parties hereto as follows :—

Article 1.—The Corporation agrees to issue, on behalf of the Imperial Chinese Government, a sterling loan (hereinafter referred to as "the loan") for the amount of £1,500,000 on the terms and conditions hereinafter contained. Imperial Chinese Government bonds are to be issued for the entire amount, similar to the bonds of the Shanghai-Nanking Railway, with the Railway as first mortgage security therefor. The loan shall be in one issue and the price agreed upon is 94 per cent. of the nominal value, subject to the other provisions of this Article as hereinafter stated. The interest on the bonds shall be at the rate of 5 per cent. per annum on their nominal value, payable half-yearly, on the first day of June and the first day of December, and shall be calculated from the date of their sale to the public.

The loan shall be issued to the public as soon as possible after signing this Agreement, but, if at the date of signature thereof, owing to an unfavourable state of the market rendering the issue of the loan and the payment of its proceeds to the Viceroy of Canton impossible on the terms above named, then in such case the Corporation shall thereafter, at such time as the Chinese Government may decide within a period not exceeding eight (8) months, issue the loan and pay the proceeds thereof to the Viceroy, deducting and retaining six (6) points from the rate at which the loan is actually issued to the public, whatever that rate may be (*i.e.* if the issue price be 101 the Viceroy will receive 95, and so on).

Subject to the provisions of Article 16, the duration of the loan is fixed at thirty (30) years commencing from the date of the signature of this Agreement, but no interest shall be paid on any bonds which may be redeemed or cancelled under the terms hereinafter mentioned after the redemption or cancellation thereof.

On the face of each of these bonds shall be expressed the value thereof in the sum of £100, or in such different amounts as the Chinese Minister in London, in consultation with the Corporation, may sanction.

It is understood that the Chinese Government may hereafter, in its discretion, appoint a Director-General of the Railway, upon whom, in such

case, will devolve all the powers, functions and responsibility herein attributed to the Viceroy of Canton (hereinafter called the Viceroy).

Article 2.—The proceeds of the loan are to be used in the construction and equipment of the Railway, and in paying interest on the loan during the course of construction.

The Railway, being the first mortgage security for the loan, shall be built and equipped under the direction of the Viceroy, in accordance with the provisions of Article 6 hereinafter, and shall be built as economically as possible in accordance with the best modern system.

It is understood that the Viceroy will secure all the necessary land for the Railway, and will give the necessary instructions to expedite and facilitate the work of construction. The Railway will be built in the first instance as a single line, but provision will be made, with the approval of the Viceroy and wherever necessary to meet traffic requirements, for the eventual construction of a double line.

If, during the time of construction, the proceeds of the loan, together with the accrued interest thereon, payable by the Corporation, should, after the deduction of the sums necessary for the payments of interest on the loan, be insufficient to complete the construction of the Railway, the amount of the deficiency shall either be provided from the Chinese Government's own resources or by a supplementary loan to be hereafter issued by the Corporation, the interest and other conditions of which supplementary loan shall be arranged when the time arrives, having due regard to the conditions of the money market.

When the Railway is complete, if there is a surplus from the sale of bonds, the said surplus shall be at the disposal of the Chinese Government either to redeem the bonds in accordance with the terms of this Agreement, as herein-after stated, or to be placed on deposit with the Hongkong and Shanghai Banking Corporation, for the purpose of paying interest on the loan, or for other purposes beneficial to the Railway, in regard to which the Viceroy will communicate in due course with the Corporation.

In all matters relating to the construction of the Railway it is expressly agreed that particular heed shall be paid to the opinions and habits of the Chinese people, and that, when practicable, Chinese shall be employed in positions of trust and responsibility in connection with the Railway.

In regard to earthwork, or such other work as Chinese are competent to perform, contracts shall be entered into for such work with Chinese, under the sanction of the Head Office, and the work itself shall be carried out in accordance with plans and specifications of the Engineer-in-Chief and under his supervision.

Detailed plans and estimates of cost, whether of the respective sections of the Railway, or of any alterations of the same, are to be submitted for the approval of the Viceroy, by the Engineer-in-Chief through the Managing Director.

Article 3.—The loan shall be secured by mortgage, declared to be now entered into in equity by virtue of this Agreement, and shall, as soon as possible hereafter, be secured by a specific and legal first mortgage in favour of the Corporation upon all lands, materials, rolling stock, buildings, property and premises, of every description purchased or to be purchased for the

Railway, and on the Railway itself, as and when constructed, and on the revenue of all descriptions derivable therefrom.

The provisions of this Article in respect of the mortgage are to be construed and treated as equivalent in purport and effect to a mortgage, customarily executed and delivered in England to a Trustee, for the purpose of securing loans and bond issues upon Railway properties in foreign countries.

Article 4.—It is hereby agreed that in six (6) months after this Agreement is signed, the Corporation shall provide the amount necessary to proceed with the detailed survey of the Railway, and for preliminary construction work if necessary, whether this amount comes from the sale or hypothecation of the bonds, or from advances made, provided that bonds for the required amount shall have been executed and delivered to the Corporation. If, after expiration of eight (8) months from the date of the ratification hereof, the work of construction shall not have been begun on the Railway, this Agreement is to become null and void, but if failure to commence construction be due to any cause of *force majeure*, a reasonable extension of this time-limit shall be arranged between the Viceroy and the Corporation.

Of the proceeds realised from the sale of the bonds, after deducting so much of them as may be required to be kept in England for the purchase of materials and the payments of contracts there, or for repayment of advances, such amounts as may be estimated and certified to by the Engineer-in-Chief to the Viceroy through the Managing Director, as being actually required for the construction of any particular section of the Railway, may be ordered by the Viceroy, after consideration, to be transferred to Hongkong to be kept in the Hongkong and Shanghai Bank, and placed to the credit of the construction account of the Railway for the exclusive purpose of constructing the Railway in the manner herein provided for under the supervision of the Head Office and the Viceroy.

On each occasion of a remittance being made to China, the amount realised in Sycee will be reported to the Viceroy, and any portion which may not be required shall be placed at interest. Similarly, the balance in England shall be placed at interest, to be allowed at the usual rate.

The accounts of the money spent from time to time in England, and of the money transferred to the credit of the construction and other accounts for use in China, are to be submitted quarterly to the Head Office for report to the Viceroy, for the information of the Waiwupu, and for his further report to the Board of Revenue, and the Board of Communications, for record therein, after such accounts have been approved and signed by him.

Article 5.—As to the form of the bond, it is to be agreed upon by the Viceroy, or by the Chinese Minister in London and the Corporation, as soon as possible after the signature of this Agreement, but if, hereafter, the money markets in London or other countries require any modification of the form of the bond, except in anything that affects the amount of the loan and the liability of the Chinese Government, which are not to be touched at all, such slight modifications may be made to meet the views of the money markets by the Corporation in consultation with the Chinese Minister in London.

Any modifications are to be reported at once by the Corporation to the Viceroy for the approval of the Waiwupu.

The bonds are to be engraved entirely in the English language, and shall bear the facsimile of the signature of the Viceroy and of his seal of office, in order to dispense with the necessity of signing them all in person, but the Chinese Minister in London shall, previous to the issue of any Bonds, put his seal upon each bond with a facsimile of his signature, as a proof that the issue and sale of the bonds are duly authorised and binding upon the Chinese Government.

Such bonds are to be numbered consecutively; and as many bonds as may be needed are to be properly engraved under the supervision of the Corporation; and after they are sealed by the Chinese Minister in London, as hereinbefore provided, are to be countersigned by the Corporation.

All expenses for the engraving, safe deposit, and sale of the bonds are to be borne by the Corporation.

Article 6.—When the work of construction is ready to begin, the Viceroy will establish a Head Office at Canton for the construction and management of the Railway. This Office will be under the direction of a Chinese Managing Director (appointed by the Viceroy) with whom will be associated a British Engineer-in-Chief, and a British Chief Accountant. These British employés shall be proposed and certified as competent for their posts, by the Corporation, and shall be approved by the Viceroy; if their services should prove unsatisfactory to the Viceroy, he shall request the Corporation to dispense with their services and to nominate their successors, and, in the event of the Corporation desiring to remove them for good cause, it shall do so in consultation with the Viceroy. It is understood that the duties performed by these employés are intended to promote the mutual interests of the Chinese Government and the bondholders respectively, and it is therefore agreed that all cases of difference arising therefrom shall be referred for amicable adjustment between the Viceroy and the Representative of the Corporation. The salaries and other terms of agreement of the Engineer-in-Chief and the Chief Accountant shall be proposed by the Corporation, for approval by the Viceroy; and the amount of their salaries, etc., shall be paid out of the general accounts of the Railway.

For all important technical appointments on the Railway Staff, Europeans of experience and ability shall be engaged, and wherever competent Chinese are available they shall also be employed. All such appointments shall be made, and their functions defined, by the Managing Director and the Engineer-in-Chief in consultation, and shall be submitted for the Viceroy's approval; similar procedure shall be followed in the case of Europeans employed in the Chief Accountant's department. In the event of the misconduct, or the incompetency of European employés, their services may be dispensed with by the Managing Director, after consultation with the Engineer-in-Chief, and subject to the sanction of the Viceroy. The form of agreements made with European employés shall conform to the usual practice.

The accounts of the receipts and the disbursements of the Railway's construction and operation shall be kept in Chinese and English in the Department of the Chief Accountant, whose duty it shall be to organise and supervise the same, and to report thereon for the information of the Viceroy through the Managing Director, and of the Corporation. All receipts, and

payments, shall be certified by the Chief Accountant and authorised by the Managing Director.

For the general technical staff of the Railway the necessary arrangements shall be made by the Managing Director in consultation with the Engineer-in-Chief, and reported to the Viceroy in due course.

The duties of the Engineer-in-Chief shall consist in the efficient and economical construction and maintenance of the Railway, and the general supervision thereof in consultation with the Managing Director. He shall always give courteous consideration to the wishes and instructions of the Viceroy, whether conveyed directly or through the Managing Director, and shall always comply therewith, having at the same time due regard to the efficient construction and maintenance of the Railway.

A school for the education of Chinese in railway matters shall be established by the Managing Director, subject to the approval of the Viceroy.

Article 7.—Under the provisions of Article 3 of this Agreement the properties covered by the first mortgage security hereby created include the Railway, its property and equipment, and the mortgage is to be executed by a deed in the form contemplated by the said Article. But subject to the guarantee and mortgage thus given by the Chinese Government, it is hereby declared that this Railway is in fact a Chinese property.

All land that may be required along the whole course of the Railway within survey limits, and for the necessary sidings, stations, repairing shops and car sheds, to be provided for in accordance with the detailed plans now made, or hereafter to be made by the Engineer-in-Chief, and approved by the Viceroy, shall be acquired by the Viceroy at the actual cost of the land, and shall be paid for out of the proceeds of the loan.

The title deeds of the land for the Railway and all other lands shall be free from all encumbrances and entanglements, and shall, from time to time, as soon as secured, be registered in the name of the Railway.

Notices of all purchases of lands for the Railway within the survey limit (together with corresponding title deeds) are to be transmitted by the Railway Head Office under the direction of the Viceroy to the local Agent of the Corporation for record and preservation in its office in Hongkong, and for the purpose of establishing the first mortgage security until the time when the same are to be returned to the Viceroy, as hereinafter in this Article provided.

All lands, the title deeds of which are lodged with the Corporation as part of the first mortgage security of the loan, shall not be disposed of in any way by hire, lease, or sale, to any party, for any purpose whatsoever, without the written consent of the Viceroy, except only in the event of the Imperial Chinese Government failing to pay the interest or principal of the bonds, and then in accordance with the powers in the deed of mortgage.

The lands thus bought shall be free from all encumbrances, liabilities, and entanglements, and shall be conveyed by full and sufficient deeds of assignment according to Chinese law, all of which are to be kept and recorded in the Hongkong Office of the Corporation, and are to be held by it as a first mortgage security for the bonds under the provisions of this Agreement, until such time as principal and interest of the bonds, together with all

indebtedness, shall have been paid off, when the same shall then be returned to the Viceroy, except only in the case of the Imperial Chinese Government's failure to pay the interest or principal of the bonds and consequent realisation under the powers of the mortgage security.

For the proper protection of the first mortgage security the Chinese Government undertakes that until the bonds shall have been redeemed, no part of the lands comprised in the mortgage security or the Railway with its appurtenances shall be transferred or given to another party, or shall be injured, and that the rights of the first mortgage shall not be in any way impaired, unless with the consent in writing of the Corporation, which shall only be given if in the opinion of the Corporation the interests of the bond-holders will not be affected.

And further, that until the interest and principal of the loan and all the indebtedness shall have been paid off, or unless with the express consent in writing of the Corporation, the Chinese Government or the Viceroy shall not again mortgage the above properties to another party whether Chinese or foreign.

During the period of this Agreement no special taxes shall be levied by the Chinese Government on the Railway, its appurtenances, or earnings : but all taxes at present payable, such as land tax, as well as any taxes which the Chinese Government may hereafter institute, such as stamp duty, etc., and which may be applicable generally to all commercial transactions in China, shall also apply in the case of the Railway and its operations.

Article 8.—It is agreed that if the half-yearly interest on the bonds is not paid on any due date thereof, or if the principal of the loan be not paid in accordance with the amortisation schedule hereto attached, the whole Railway with all its appurtenances herein mortgaged to the Corporation for the bond-holders, shall be handed over to the Corporation to be dealt with by it according to law in such manner as will ensure the proper protection of the interests of the bondholders, provided, however, that if the failure to make payment at any one date be due to causes beyond the control of the Chinese Government, and if the Viceroy request the Corporation to postpone the taking over of the Railway for a reasonable period of grace, the question shall be amicably discussed and decided between the Viceroy and the Representative of the Corporation. When the whole loan and the interest due thereon and all the indebtedness shall have been paid off, the Railway with all its appurtenances in good working condition shall revert to the possession and management of the Chinese Government according to the provisions of this Agreement.

Article 9.—As remuneration for all services rendered by the Corporation, during construction of the Railway, the Corporation shall receive the sum of £35,000, half of which shall be paid when the construction work is half completed, but not later than eighteen (18) months after commencement of construction, and the other half upon completion of the line. This amount shall be regarded as a commutation of all commissions to which the Corporation and its Agents would properly be entitled, and of payments of all services rendered in the construction and equipment of the Railway, in respect of the present loan ; but in the event of any branch lines being decided upon by the Chinese Government for construction in connection with this Railway,

and if the Chinese Government decide to build the same by issue of a foreign loan and not from its own resources, then the Corporation shall have the first option of tendering for such loan, and a further payment, proportionate to the amount of such supplementary loan, and calculated at the same rate as the commutation hereinabove mentioned, shall be made to the Corporation as commutation of its commission for all services in respect of construction.

In return for this commuted commission, the Viceroy is entitled to require the Corporation to superintend the purchase of all materials required for the construction and equipment of the Railway, which shall be purchased in the open market at the lowest rate obtainable, it being understood that all such materials shall be of good and satisfactory quality. At equal rates and qualities, goods of British manufacture shall be given preference over other goods of foreign origin. Invoices and inspector's certificates are to be submitted to the Viceroy.

With a view to encouraging Chinese industries, Chinese Government and other materials are to be preferred, provided price and quality are suitable.

No commission shall be allowed to the Corporation on the purchase of materials except as above provided. All trade discounts or rebates, if any, are, during construction, to go to the construction account, and, after completion, to the credit of the Railway.

Article 10.—In the construction of the line, in the working of the Railway and in the performance of the different kinds of business connected with the Railway, no interference or obstruction by Chinese or foreigners will be permitted. The Chinese Government will provide protection for the Railway while under construction or when in operation, and all the properties of the Railway, as well as Chinese and foreigners employed thereon, are to enjoy the utmost protection from the local officials.

The Railway may maintain a force of Chinese police with Chinese officers, their wages and maintenance to be wholly defrayed as part of the cost of the construction and maintenance of the Railway. In the event of the Railway requiring further protection by the military forces of the Imperial or Provincial Governments, the same will be duly applied for by the Head Office and promptly afforded, it being understood that such military forces shall be maintained at the expense of the Government or the Province.

Article 11.—All receipts and earnings of the Railway shall be regularly paid into the Railway's account with the Hongkong and Shanghai Banking Corporation, and on such funds, whether on daily balance or on fixed deposit, the Bank's usual rate of interest shall be allowed.

All expenses of working and maintaining the line shall be paid from the receipts and earnings, and any remainder thereof shall be charged with the service of the loan. If, after payment of these expenses, and making due provision for payment of interest at 5 per cent. per annum on the bonds, and for repayments of principal due in accordance with the amortisation schedule hereto attached, there remain surplus funds unappropriated and properly available for other purposes, such funds shall be at the disposal of the Chinese Government to be used in such manner as the Viceroy may decide, provided always that after completion and opening of the line to traffic the amount sufficient for regular payments of interest and repayments of principal shall

be deducted from such surplus funds, if any, and shall be deposited with the Hongkong and Shanghai Banking Corporation six months before the date at which such payments fall due.

In the event of there being no surplus funds available as aforesaid from the earnings of the Railway, the amount required for payments of interest and repayments of principal shall be provided in accordance with the conditions of Article 14 hereinafter.

Article 12.—The Corporation are hereby appointed Trustees for the bondholders, and in any future negotiations respecting these loans, or matters arising in connection therewith, which may take place between the Viceroy and the Corporation, the Corporation shall be taken as representing the bondholders, and as such empowered to act on their behalf. In view of the fact that the Corporation's responsibility to the bondholders continues after construction, whereas, as stated in Article 9, its commuted commission for services rendered is limited to the period of construction, and the Corporation is not thereunder entitled to any further remuneration during the period of the loan, the Corporation shall receive as remuneration for its services and responsibility in acting as Trustees for the bondholders the sum of £1000 per annum, such remuneration to commence from the date of issue of this Loan and to terminate upon its complete redemption.

Article 13.—All materials of any kind that are required for the construction and working of the Railway, whether imported from abroad or from the provinces to the scene of the work, shall be exempted from likin so long as such exemption remains in force in respect of other Chinese Railways. The bonds of this loan, together with their coupons and the income of the Railway, shall be free from imposts of any kind by the Government of China.

Article 14.—It is agreed that during the time of the construction of the Railway, the interest on the bonds and on any advances made by the Corporation is to be paid from the proceeds of the loan. The accruing interest from any proceeds of the loan not used during the period of construction, and the earnings derived by the Chinese Government from the working of any sections of the Railway as they are built, are to be used to make up the amount required for the payment of the said interest, and if any deficiency remains it is to be met from the proceeds of the loan.

When the construction of the Railway is wholly completed, the interest on the bonds is to be paid, from the income or earnings of the Railway received by the Chinese Government, every half-year on the first day of June and the first day of December.

It is hereby agreed that the amount required for the payment of interest and the repayment of principal, together with a sum of one-quarter of one per cent. on such amounts, to cover commission to the Hongkong and Shanghai Banking Corporation, who are hereby appointed Agents for the entire service of repaying the loan, shall be paid to them fourteen (14) days before the due dates in Hongkong or in Canton (at the option of the Viceroy when settling exchange) in local currency sufficient to meet such payments in sterling in London, exchange for which shall be settled with the Hongkong and Shanghai Banking Corporation, the Viceroy having the option of settling

exchange at any date or dates within six (6) months previous to any due date for the repayment of interest and principal.

The Chinese Government unconditionally undertakes, and hereby promises, to pay the principal of the loan and the interest on the loan on the due dates fixed therefor. If, at any time, the earnings of the Railway, together with funds available from the proceeds of the loan, are not sufficient to meet the interest on the bonds and the repayment of capital in accordance with the amortisation schedule hereto attached, the Viceroy shall devise means for supplying the deficiency; and should his inability to do so appear probable, he shall memorialise the Government to take measures to make up the deficiency from other sources, and thus be ready to pay off the indebtedness, so that the required amount may be placed in each case at least fourteen days previous to the due dates of such payments in the hands of the Hong-kong and Shanghai Banking Corporation.

Article 15.—The Corporation may, subject to all its obligations, transfer or delegate all or any of its rights, powers, and discretions to its successors or assigns, but the Corporation, which is a Corporation formed under English law, shall not transfer its rights under this Agreement to any other nation, or people of any other nationality, except British or Chinese. Similarly, the Chinese Government's rights and authority under this Agreement shall not be transferred to persons of other nationality.

It is further understood that the Chinese Government will not build another line competing with this Railway to its detriment.

Article 16.—The term of the loan, as stated in Article 1, shall be thirty (30) years. Repayment of principal shall commence after the expiry of 12½ years from the date of the loan and shall be completed in 17½ years by yearly payments to the Hongkong and Shanghai Banking Corporation as Agents for the service of the loan, acting for the Corporation under the terms of this Agreement, in accordance with the amortisation schedule hereto attached.

If at any time after the expiry of 12½ years from the date of the loan, the Imperial Chinese Government should wish to redeem the outstanding amount of the loan, or any portion of it, not yet due under the provisions of the amortisation schedule hereto attached, not less than six months' notice shall be given in writing by the Viceroy to the Representative of the Corporation, declaring the number of additional bonds so required to be redeemed, whereupon the Representative of the Corporation shall immediately proceed to make such arrangements as may be necessary and usual for the redemption of the number of bonds specified, which, when duly redeemed after payment by the Imperial Chinese Government of the proper amount due thereon, shall be cancelled and delivered to the Viceroy.

All bonds thus redeemed, in excess of the amount specified in the amortisation schedule hereto attached, before the expiry of 25 years from the date of the loan, shall be paid for with a premium of 2½ per cent. over their face value (*i.e.* £102, 10s. will be required to pay for £100), but, after 25 years, bonds may be redeemed over and above the amounts specified in the schedule without premium, upon notice being given in [the manner] above specified.

As soon as the loan has been completely redeemed, this Agreement shall become null and void and the mortgage shall be cancelled.

Article 17.—If, during construction, any proceeds of the sale of the bonds are lying unused and bearing interest on their deposit whilst the construction of the Railway is going on, such interest is to be credited to the general account of the Railway in order that the Railway may enjoy the full advantage thereof.

It is also agreed that, if the Corporation shall think it expedient before the sale of any of the bonds to advance any money for the work, such advances, together with the interest thereon, not exceeding a charge of 6 per cent. per annum, shall be deducted from the proceeds of the sale of the bonds.

Article 18.—The junction of the sections of the Railway from Canton to the boundary of the Kowloon leased territory under British control, and from the said boundary to the port of Kowloon respectively, and the subsequent joint working of the two sections, shall be arranged by agreement between the Viceroy of Canton and the Governor of Hongkong.

Article 19.—This Agreement is signed under the authority of an Imperial Edict dated ——, which has been officially communicated to the British Minister in Peking by the Wai-wu-pu.

Article 20.—This Agreement is executed in quintuplicate in English and Chinese, one copy to be retained by the Viceroy, one by the Wai-wu-pu, one by the Board of Communications, one by the British Minister, and one by the Corporation ; and should any doubt arise as to the interpretation of the Agreement the English text shall be accepted as the standard.

Signed at Peking by the contracting parties, this 23rd day of the first month of the 33rd year of the Emperor Kwang Hsu, being the 7th day of March 1907.

Seal of Wai-wu-pu.

Signature of TANG SHAO-YI.

Witnessed by Canton Viceroy's Delegates, TAO-TAIS KUNG
and Hu.

For the British and Chinese Corporation, J. O. P. BLAND
Representative in China.

Witnessed by—

Messrs. JARDINE, MATHESON & Co., and H. S. GARDNER, Agent, H. & Sh. Bkg. Corporation.	Joint Agents, B. & C. Corporation.
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CANTON-KOWLOON RAILWAY LOAN, £1,500,000, AT FIVE PER CENT., THIRTY YEARS.
Amortisation Schedule.

Years.	Interest.	Prin- cipal.	Total principal repaid.	Principal still out- standing.	Years.	Interest.	Prin- cipal.	Total principal repaid.	Princip- al still out- standing.
1	£ 37,500	—	£ —	£ 1,500,000	16	£ 32,062 10	£ 85,500	£ 303,000	£ 1,197,000
	37,500	—	—	1,500,000		32,062 10			
2	37,500	—	—	1,500,000	17	29,925	85,500	388,500	1,111,500
	37,500	—	—	1,500,000		29,925			
3	37,500	—	—	1,500,000	18	27,787 10	85,500	474,000	1,026,000
	37,500	—	—	1,500,000		27,787 10			
4	37,500	—	—	1,500,000	19	25,650	85,500	559,500	940,500
	37,500	—	—	1,500,000		25,650			
5	37,500	—	—	1,500,000	20	23,512 10	85,500	645,000	855,000
	37,500	—	—	1,500,000		23,512 10			
6	37,500	—	—	1,500,000	21	21,375	85,000	730,500	769,500
	37,500	—	—	1,500,000		21,375			
7	37,500	—	—	1,500,000	22	19,237 10	85,500	816,000	684,000
	37,500	—	—	1,500,000		19,237 10			
8	37,500	—	—	1,500,000	23	17,100	85,500	901,500	598,500
	37,500	—	—	1,500,000		17,100			
9	37,500	—	—	1,500,000	24	14,962 10	85,500	987,000	513,000
	37,500	—	—	1,500,000		14,962 10			
10	37,500	—	—	1,500,000	25	12,825	85,500	1,072,500	427,500
	37,500	—	—	1,500,000		12,825			
11	37,500	—	—	1,500,000	26	10,687 10	85,500	1,158,000	342,000
	37,500	—	—	1,500,000		10,687 10			
12	37,500	—	—	1,500,000	27	8,550	85,500	1,243,500	256,500
	37,500	—	—	1,500,000		8,550			
13	37,500	46,500	46,500	1,453,500	28	6,412 10	85,500	1,329,000	171,000
	37,500	46,500	46,500	1,453,500		6,412 10			
14	36,337 10	85,500	132,000	1,368,000	29	4,275	85,500	1,414,500	85,500
	36,337 10	85,500	132,000	1,368,000		4,275			
15	34,200	85,500	217,500	1,282,500	30	2,137 10	85,500	1,500,000	—
	34,200	85,500	217,500	1,282,500		2,137 10			

APPENDIX G.

COPIES OF THE DESPATCH FROM HER MAJESTY'S MINISTER AT PEKING, FORWARDING COPIES OF THE NOTES EXCHANGED WITH THE CHINESE GOVERNMENT, RESPECTING THE NON-ALIENATION OF THE YANG-TSZE REGION.

INCLOSURE I.

Sir C. MACDONALD to the TSUNG-LI YAMEN.

PEKING, February 9, 1898.

MM. les MINISTRES,

Your Highnesses and your Excellencies have more than once intimated to me that the Chinese Government were aware of the great importance that has always been attached by Great Britain to the retention in Chinese possession of the Yang-tsze region, now entirely hers, as providing security for the free course and development of trade.

I shall be glad to be in a position to communicate to Her Majesty's Government a definite assurance that China will never alienate any territory in the provinces adjoining the Yang-tsze to any other power, whether under lease, mortgage, or any other designation. Such an assurance is in full harmony with the observations made to me by your Highnesses and your Excellencies.

I avail, etc.,

(Signed) CLAUDE M. MACDONALD.

II.

The TSUNG-LI YAMEN to Sir C. MACDONALD.

KUANG HSU, 24th year, 1st moon, 21st day.

(February 11, 1898.)

(Translation)

The Yamen have the honour to acknowledge the receipt of the British Minister's despatch of the 9th February, stating that the Yamen had more than once intimated to him that the Chinese Government were aware of the great importance that has always been attached by Great Britain to the retention in Chinese possession of the Yang-tsze region, now entirely hers, as providing security for the free course and development of trade. The British Minister would be glad to be in a position to communicate to Her Majesty's Government a definite assurance that China would never alienate (any territory) in the provinces adjoining the Yang-tsze to any other power, whether under lease, mortgage, or any other designation.

The Yamen have to observe that the Yang-tsze region is of the greatest importance as concerning the whole position (or interests) of China, and it is out of the question that territory (in it) should be mortgaged, leased, or ceded to another power. Since Her Britannic Majesty's Government has expressed its interest (or anxiety), it is the duty of the Yamen to address this note to the British Minister for communication to his Government.

They avail themselves, etc.

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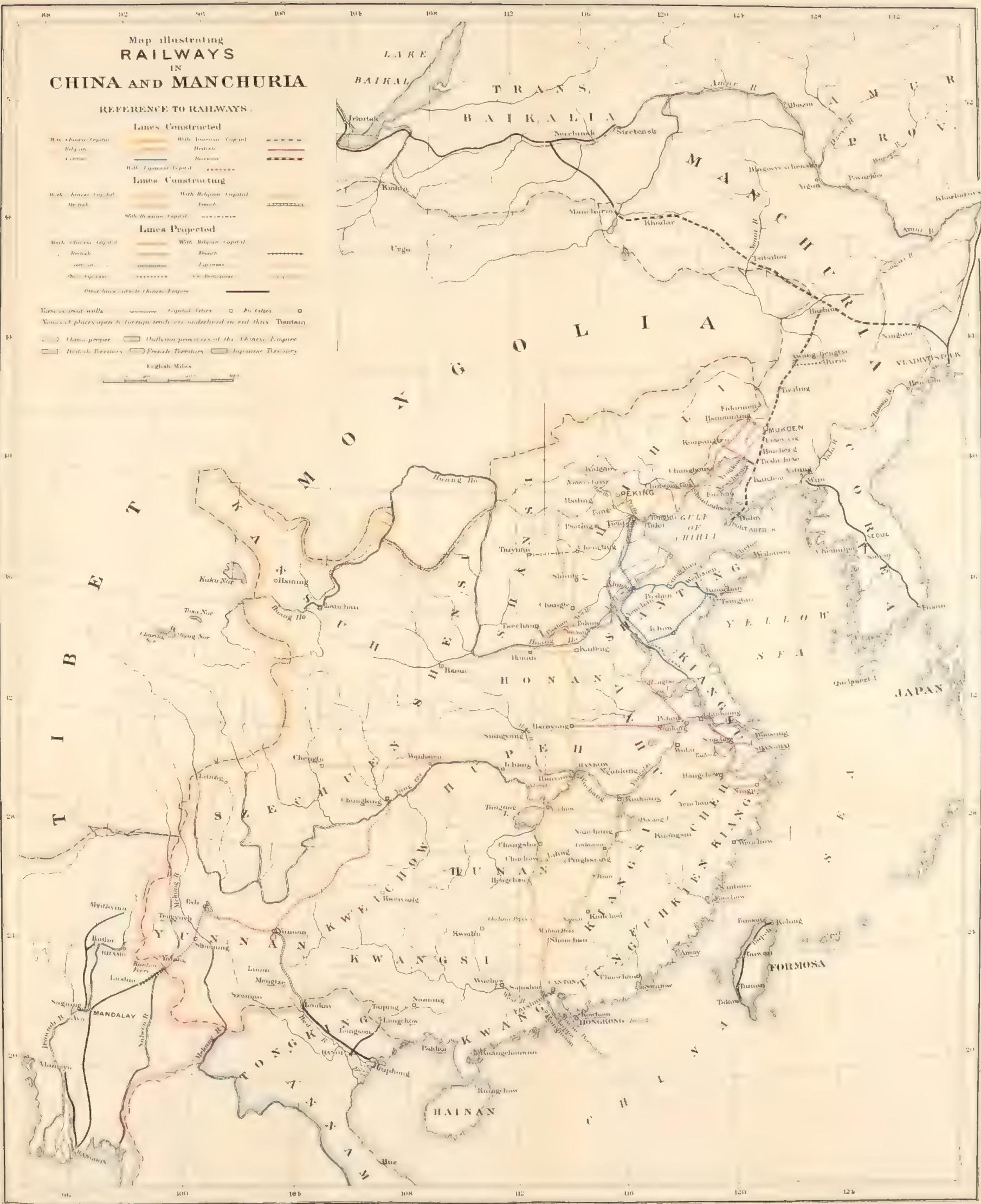
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